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ABSTRACT

This document contains materials for teachers and students for a 12-session workshop course on entrepreneurship and small business management. Lesson plans for the 12 sessions cover the following topics: business plan and goals; planning, goal setting, and identifying your business; financing; physically setting up business; advertising; employees; insurance, legal matters, professional needs, and collections; tax obligations and liabilities; bookkeeping, recordkeeping, and accounting; organization, stress, and burnout; sales, buying and selling, using resources; and wrap-up session. Each lesson plan includes an introduction, objectives, student activities, materials list, outlines of lesson, summary, assignment, and self-evaluation. Lessons also contain information sheet handouts (85 total for the course). A list of six overall course objectives also is provided. A few of the materials are geared to the state of Wisconsin. (KC)

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ED330905

JOB CREATION THROUGH ENTREPRENEURSHIP

INSTRUCTIONAL PACKAGE

Chippewa Valley Technical College

Eau Claire, WI

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
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IS# 008

019296

OVERALL COURSE OBJECTIVES

BY THE END OF THIS COURSE, PARTICIPANTS WILL BE ABLE TO:

A. EXPLAIN (BOTH WRITTEN AND ORAL) THE IMPORTANCE OF A GOOD SOLID BUSINESS PLAN TO THE SUCCESS OF A BUSINESS.

B. EXPLAIN (BOTH WRITTEN AND ORAL) THE IMPORTANCE OF GOAL SETTING.

C. PREPARE A COMPLETE BUSINESS PLAN FOR THEIR OWN INDIVIDUAL ENTERPRISE.

D. HAVE WELL ESTABLISHED, LONG RANGE GOALS (PERSONAL AND BUSINESS).

E. RELY UPON AND DRAW FROM A MULTITUDE OF RESOURCES TO ENHANCE THEIR CHANCES FOR A SUCCESSFUL BUSINESS.

F. BE POTENTIAL CANDIDATES TO CONTRIBUTE TO THE JOB MARKET BY PROVIDING EMPLOYMENT OPPORTUNITIES THROUGH THEIR GROWTH.

SESSION SUMMARY

Session One: Business Plan, Goals, Introduction. Introduction of the instructor and the participants. A definition of goal setting and its importance in running a small business. Beginning the business plan.

Session Two: Planning, Goal Setting, Identifying Your Business. More on the business plan. Wrap-up in goal setting. What business am I in? How do I describe it?

Session Three: Financing. Filling out financial statements, net worth statements, requesting a loan, where to get financing, developing a financial glossary, and establishing a line of credit.

Session Four: Physically Setting Up Your Business. Choosing the right location. Setting up the interior and exterior with a special emphasis on signage, product display, setting hours and payment plans.

Session Five: Advertising. How to make it work for you. Measuring your advertising. The different medias. How much do they cost? Designing your own advertising, invoices, stationery, etc.

Session Six: Employees. Can you afford employees? Do you need help? How much do they really cost? Workmen's compensation, job description, hiring and firing friends and family. Subcontracting.

Session Seven: Insurance, Legal, Professional, and Collections. Determining your insurance needs. The different types available. How to collect money (even from friends and family). The value of subcontracting.

Session Eight: Tax Obligation and Liabilities. What are the tax responsibilities? What happens if you don't meet them properly. Setting up your own tax calendar. Payroll and how it works from the employers point of view.

Session Nine: Bookkeeping, Record Keeping, and Accounting. Setting up a simple set of books. What records need to be kept and how to store them. Choosing an accountant and what you can expect from your accountant.

(OVER)

Session Ten: Organization, Stress, and Burnout. Tricks of the trade in organizing your business and personal life. Recognizing and dealing with stress. Burnout: What is it? Who suffers from it? How to recover from it.

Session Eleven: Sales, Buying and Selling; I Need to Know Right Now, What Do I Do? Buying your products/service. Selling your products/service. Dealing with vendors, establishing a mark-up. Developing a sales strategy. How to use all the resources available to the Entrepreneur. (Library, Resource Services, Networks, and Phone hotlines)

Session Twelve: Wrap-up session.

MATERIAL LISTING FOR ENTREPRENEURSHIP COURSE

IS#	
001	SESSION SUMMARY
002	"HEALTH PERILS OF A COTTAGE INDUSTRY" SOURCE: MILW SENTINEL 2/1/86
003	"POOR PLANNING - THE FATAL ERROR" SOURCE: MILW JOURNAL 11/17/85
FORM F	DAILY FEEDBACK
005	"BUSINESS PLAN FROM A PRE-BUSINESS SEMINAR" WRITTEN BY GLENN RYLANDER
006	"FAMOUS FALSE STARTS" SOURCE: THE WALL STREET JOURNAL 12/24/85
007	"HOW TO START A SIDELINE VENTURE" SOURCE: NEW VENTURE STRATEGIES BY KARL H. VESPER PRENTICE-HALL 1980
008	"SELF TEST" ORIGIN UNKNOWN
009	"GETTING STARTED" ORIGIN UNKNOWN
010	"DEVELOPING THE BUSINESS PLAN"
011	"GOVERNMENTAL REQUIREMENTS" AUTHOR: JACK POSTLEWAITE, ATTORNEY
012	"HOW TO PREPARE A BUSINESS PLAN" BY EC COUNTY DEPT. OF EC, DEV.
013	START-UP COSTS
014	THREE-YEAR EXPENSE PROJECTIONS NO AUTHOR
015	PERSONAL FINANCIAL STATEMENT AUTHOR: RICK KETTNER
016	LOAN PACKAGE REQUIREMENTS OUTLINE HANDOUT
017	"FINANCIAL GLOSSARY"
018	COMMERCIAL LOAN APPLICATION HANDOUT AND FINANCIAL STATEMENT FORM
019	"FINANCING SOURCES FOR YOUR BUSINESS" HANDOUT
020	"GETTING THE LOAN" ASSOCIATED PRESS ARTICLE
021	BUSINESS PLAN OUTLINE ORIGIN UNKNOWN
022	RENTAL/LEASE/INSURANCE CHECKLIST HANDOUT
023	GOVERNMENT AGENCIES LIST
024	GUIDELINES FOR CHOOSING & WORKING WITH AN ADVERTISING AGENCY HANDOUT
025	POSSIBLE SOURCES FOR FREE ASSISTANCE IN PREPARING ADVERTISEMENTS HANDOUT
026	TV PRODUCTION STORY BOARD - DISTRICT ONE TECHNICAL INSTITUTE

027 RADIO STATION ADVERTISING FORMAT

028 RADIO STATION COVERAGE MAP

029 BILLBOARD RATES & COVERAGE SHEET - SKOGLUND COMMUNICATIONS, INC.

029A RATES & COVERAGE - SKOGLUND COMMUNICATIONS, INC.

030 NEWSPAPER RATE CARD

031 "MEASURING THE RESULTS OF YOUR ADVERTISER" AUTHOR: ELIZABETH M. SORBET

032 JOB DESCRIPTIONS FORMAT

033 EMPLOYMENT APPLICATION

034 "GET A NEW EMPLOYEE OFF TO A GOOD START" AUTHOR: JOAN LLOYD

035 EFFECTIVE CRITICISM HANDOUT

036 WITHHOLDING CERTIFICATE - W4 - DEPT. OF THE TREASURY

037 SMALL CLAIMS FORM - CHIPPEWA FALLS

038 PERIODIC SALES REPORTS - ORIGIN UNKNOWN

039 DEPOSITING EXCISE TAXES - DEPT. OF THE TREASURY

040 BLANK 941 FORMS - DEPT. OF TREASURY

041 TAX OBLIGATIONS WORKSHEET

042 WHAT YOUR INSURANCE AGENT SHOULD PROVIDE SOURCE: LEGAL HANDBOOK FOR SMALL BUSINESS

043 WHAT YOUR ATTORNEY SHOULD KNOW

044 QUESTIONS & ANSWERS ON AUTOMOBILE INSURANCE - THE WESTERN INSURANCE COMPANIES

045 CHOOSING AN ATTORNEY HANDOUT

046 TIME SAVING TIPS - SAMPLE INVOICES

047 SIX REQUIREMENTS OF A GOOD RECORDSKEEPING SYSTEM HANDOUT

048 RECONCILING YOUR BANK ACCOUNT HANDOUT

049 PRIVACY ACT GUIDELINES SOURCE: PRIVACY ISSUES & PERSONNEL INFORMATION

050 IRS INTENTION TO LEVY

051 SAMPLE BLANK BALANCE SHEET TERMS SOURCE: SMALL BUSINESS REPORTER

052 TIME SAVING TIPS SOURCE: SMALL BUSINESS MANAGEMENT

053 SUGGESTED STRESS RELIEF TECHNIQUES SOURCE: MANAGE YOUR TIME, MANAGE YOUR WORK, MANAGE YOURSELF

054 SOURCES OF ASSISTANCE

055 SCORE SOURCE: DISTRICT ONE TECHNICAL INSTITUTE

056 BIAS SYSTEM - NFO

057 STARTING A BUSINESS - JOB SERVICE HANDOUT

058 RECOMMENDED PUBLICATIONS

059 BUSINESS RECORDS & HOW LONG YOU MUST KEEP THEM RESOURCE: ANTHONY C. BUCHANAN

060 BUSINESS PLAN PACKET SOURCE: DISTRICT ONE TECHNICAL INSTITUTE - 1986

061 YELLOW PAGE ADS SOURCE: EAU CLAIRE PHONE BOOK

062 ADVERTISING: DEFINITIONS & GOALS

063 EMPLOYEE PERFORMANCE FORM

064 INFORMATION ON DEPOSITING EXCISE TAXES SOURCE: IRS PUBLICATION

065 WORKSHEET FOR MEETING TAX OBLIGATIONS SOURCE: UNKNOWN

066 STEPS IN MEETING YOUR TAX OBLIGATIONS SOURCE: IRS M.A. 1.013

067 BUSINESS PLAN OUTLINE SOURCE: DISTRICT ONE TECHNICAL INSTITUTE

068 BUSINESS OPPORTUNITIES ADVERTISING PAGE

069 HOW TO AVOID OVER OR UNDER INSURING YOUR BUSINESS

070 ENTREPRENEURSHIP EVALUATIONS

071 QUESTIONS & ANSWERS SOURCE: WESTERN INSURANCE COMPANY

072 EMPLOYERS QUARTERLY FEDERAL TAX RETURN SOURCE: IRS FORM 941

073 SAMPLE BLANK BALANCE SHEET

074 BOOKS FOR AN IMAGINARY BUSINESS

075 RECORDS - HOW LONG?

076 IF YOU'RE AN EMPLOYER. . . .

077 SCHEDULE OF PAYMENTS CALENDAR

078 SAMPLE NEWSLETTER FROM BUSINESS NETWORK

MA 232 "CREDIT COLLECTIONS"

MA 1.013 "STEPS IN MEETING YOUR TAX OBLIGATIONS"

TA 100 "WITHHOLDING WORK SHEET"

TA 200 "TAXES"

W166 "WISCONSIN EMPLOYERS WITHHOLDING TAX GUIDE"

MA 1.017 "KEEPING RECORDS IN SMALL BUSINESS"

Form F DAILY FEEDBACK

DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session One: "Let's Begin"

INTRODUCTION: This is the session at which you as the instructor can set the pace. It is important to be positive at all times, and to let the participants contribute at their own individual speeds. As they feel more comfortable they will speak more freely. As this course is very concentrated and only focuses on the basics, it should be emphasized that if they need more depth in any one area, they must research and pursue it when necessary. You will also be able to find out who your class leaders are by the end of the session. It is also helpful for discussion if participants sit in a semi-circle setting.

OBJECTIVES: At the end of this session, participants will be able to:

A. Begin to assess their own strengths and weaknesses.
B. Start organizing their business ideas in a constructive and progressive manner.
C. Have an understanding of what a business plan is.
D. Know the importance of setting goals.
E. Begin developing a notebook for future reference.
F. Define the different types of businesses.

MATERIALS	IDENTIFYING NUMBER
"Business Plan" From Pre-Business Seminar Author - Glen Rylander/Score	IS# 005
"Self Tests" Origin Unknown	IS# 008
"Session Summary"	IS# 001
"How to Start a Sideline Venture" Source: New Venture Strategies, by Karl H. Vesper Prentice-Hall 1980	IS# 007
"Famous False Starts" Source: The Wall Street Journal 12/29/85	IS# 006
Movie - "How to Pack Your Own Chute" 22 Min.	
"Poor Planning, The Fatal Error" Source: Milwaukee Journal 11/17/85	IS# 003
"Developing the Business Plan"	IS# 010

AGENDA/LESSON

(5 Min.) 1. Introduction of instructor and background. Note! At this point, the instructor should give successes and failures if possible, always maintaining a positive attitude.

(15 Min.) 2. Introduction of participants. (Student Activity)
Note! Allow participants to give their names and background. Sometimes students will tend to be hesitant on their first night to reveal their real business intentions. Some will fear competition, and some will fear they may be laughed at. In any event, they will reveal themselves more and more as the classes continue.

A. Tell them what you expect in their own introduction.
B. Ask them to say what it is that they hope to achieve from this course.
C. Limit to one minute each.

(40 Min.) 3. Explanation of course objectives and contents.

A. Discuss entire course week by week.
B. Distribute Session Summary (001).
C. Explain goals of course (Read 3 goals).
D. Introduce notebook and its purpose.
E. Testing procedures (if any).
F. Assignments that will be required.
G. Projects.
H. Lab work.
I. Grading method (if any).
J. Graduation certificate.

(5 Min.) 4. Read the article "Famous False Starts".

A. Highlight areas of importance.

(10 Min.) 5. Define big business versus small business.

A. Big business.
   1. SBA definition (500 or more).
   2. Relative to area of location.
      a. Big fish/little pond and reverse.
B. Small business.
   1. Double income business (spousal help).
   2. Single survivor (on your own).
   3. Really small (when you answer your own phone).

AGENDA/LESSON

(15 Min.) 6. Classifications of businesses (list these on board).

A. Sole proprietorship.
B. Partnerships (also include limited).
C. Corporations.
D. Family owned.
E. Franchises.
F. Non-profit (intentional or not).

(15 Min.) 7. Break!

A. At this point students should take a short break from the session.
B. Explain smoking policies.
C. Where they may get refreshments.
D. Building policies.
E. Parking facilities.

5 Min.) 8. Goal setting. Show movie "Pack Your Own Chute" (Approx. 22 Min.)

A. Introduce the movie.
B. Show film.
C. Follow-up with discussion or review.
D. Pass out information sheet "Goals".
E. Review and highlight handout.
F. Give some examples of proper goal setting and how it has helped someone in a specific manner.

(15 Min.) 9. Explain what a business plan is and its function.

A. Give an overview.
B. Outline it on board.
C. Handout Information Sheet "The Business Plan" IS# 005.
D. Review the IS# 005.
E. Explain the merits of "Planning for the Unexpected".

(5 Min.) 10. "A Sample Business Plan"

A. Use overhead.
B. Discuss briefly.
C. Note! Do not hand out at this time. It may influence their own writing too much.

AGENDA/LESSON

(10 Min.) 11. Brief summary.

A. Ask specific questions on coverage of this session. Make sure their questions are answered before moving on.
B. If time permits, give self-test (008) and let them keep results.
C. Questions and their evaluation.

12. Assignment.

A. Read handouts IS# 003, 007, 010.
B. Bring notebooks and dividers for next week's class.
C. Be prepared to write your own business goals (at least three) at the next class session. Assure students you will help them.

13. Self Evaluation.

A. Re-examine the class notes and make sure each subject was properly covered. Write down any questions for discussion the following session.

BUSINESS PLAN

This subject is about the business plan, that dull-as-dishwater, absolutely essential document you should assemble before launching a business. Starting without a business plan is like starting a cross-continent road trip without a map. You will get somewhere, but it might not be where you intended to go.

If you simply have an idea, that is worth nothing. Without an effective and concise business plan, an entrepreneur has little chance of getting the necessary financial backing for his or her venture to succeed.

An effective business plan is the best way for a person to communicate what he or she hopes to do in business. A business plan operates as a learning tool for the entrepreneur, forcing him or her to know more about the idea and the prospective company than thought possible.

When you are forced to put something down on paper, you will realize how little you know. Here are 12 steps you can use to put you on the road to planning:

1. The summary of the plan, which should include the company's activities, distinguishing features of its product or its services, the attractiveness of the market, a summary of financial projections, and the specific amounts and the schedule for the proposed money.

   Although the summary is usually included at the beginning of the plan, it is better to work on it last.

2. A description of the proposed business and its industry, including histories of both.

3. The features and advantages of the company's products or services.

4. Market research and analysis, including defining customers and their needs, detailing market sizes and trends, and examining the competition.

5. The company's estimated market share and its estimated sales, including marketing plan and strategy, pricing, sales tactics, services and warranty policies, advertising, public relations and promotion.

6. Design and development plans for the product of services.

7. The proposed operation plans.

8. A detailed listing of the proposed management team, including its organization and its experience.

9. An overall schedule of operations.

10. The potential and critical risks and problems the company could face.

11. A financial plan, including a profit and loss forecast for three to five years, cash flow projections for three years and pro-forma balance sheets at start-up, semiannually in the first year and at the end of the first three years of operations.

12. The proposed company offering, including details of desired financing, capitalization and the scheduled use of funds.

Of the plan's 12 sections, the market research and financial planning sections should be completed first to give the entrepreneur enough background in his or her own operation.

Prepared by,
Glen Rylander
SCORE

Do you have what it takes?

Do you have what it takes to be a successful entrepreneur? One way to find out is to take this quiz and see how your score stacks up against 1,500 entrepreneurs surveyed by the Center for Entrepreneurial Management. All are now running businesses that they started.

What if you do not score well? "It only means you don't match the profile," cautions Joseph R. Mancuso, CEM president.

Circle the appropriate answer.

1. How were your parents employed?
   a. Both were self-employed most of their working lives.
   b. Both were self-employed for some part of their working lives.
   c. One parent was self-employed for most of his/her working life.
   d. One parent was self-employed at some point in his/her working life.
   e. Neither parent was ever self-employed.

2. Have you ever been fired from a job?
   a. Yes, more than once.
   b. Yes, once
   c. No, never

3. What is your family background?
   a. You were born outside the United States.
   b. One or both parents were born outside the United States.
   c. At least one grandparent was born outside the United States.
   d. Your grandparents, parents and you were born in the United States.

4. Describe your work career.
   a. Primarily in small business (under 100 employees)
   b. Primarily in medium-sized business (100 to 500)
   c. Primarily in big business (over 500 employees)

5. Did you operate any businesses before you were 20 years old?
   a. many
   b. few
   c. none

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6. What is your age?
   a. 21 to 30
   b. 31 to 40
   c. 41 to 50
   d. 51 or over

7. Where do you stand in your family?
   a. first child
   b. middle
   c. youngest
   d. other (foster, adopted)

8. What is your marital status?
   a. Married
   b. Divorced
   c. Single

9. What level of formal education have you reached?
   a. Some high school
   b. High school diploma
   c. Bachelor's degree
   d. Masters degree
   e. Doctorate

10. What is your primary motivation in starting a business?
   a. To make money
   b. You don't like working for someone else.
   c. To be famous
   d. As an outlet for excess energy

11. Describe your relationship to the parent who provided most of the family's income.
   a. Strained
   b. Comfortable
   c. Competitive
   d. Nonexistent

12. How would your choose between working hard and working smart?
   a. Work hard
   b. Work smart
   c. Both

13. On whom would you rely for critical management advice?
    a. Internal management teams
    b. External management professionals.
    c. External financial professionals
    d. No one except yourself

14. If you were at the racetrack, which would you bet on?
    a. The daily double-a chance to make a killing.
    b. A 10-to-1 shot
    c. A 3-to-1 shot
    d. The 2-to-1 favorite

15. Name the one ingredient that you consider both necessary and sufficient for starting a business.
    a. Money
    b. Customers
    c. An idea or product
    d. Motivation and hard work

16. If you were an advanced tennis player and had a chance to play John McEnroe, what would you do?
    a. Turn it down because he could easily beat you.
    b. Accept the challenge but not bet any money on it
    c. Bet a week's pay that you would win
    d. Get odds, bet a fortune and try for an upset

17. With which do you tend to "fall in love" too quickly?
    a. New product ideas
    b. New employees
    c. New manufacturing ideas
    d. New financial plans
    e. All of the above

18 Which of the following personality types is best suited to be your right-hand person?
    a. Bright and energetic
    b. Bright and lazy
    c. Dumb and energetic

19. Why do you accomplish tasks better?
    a. You are always on time
    b. You are superorganized
    c. You keep good records

20. Which do you hate to discuss?
    a. Problems involving employes
    b. Signing expense accounts
    c. New management practices
    d. The future of the business

21. Which would you prefer?
    a. Rolling dice with a 1-in-3 chance of winning
    b. Working on a problem with a 1-in-3 chance of solving it in a set time

22. If you could choose, which of the following competitive professions would you follow?
    a. Professional golf
    b. Sales
    c. Personnel counseling
    d. Teaching

23. Would you rather work with a partner who is a close friend or work with a stranger who is an expert in your field?
    a. The close friend
    b. The expert

24. When do you enjoy being with people?
    a. When you have something meaningful to do
    b. When you can do something new and different
    c. Even when you have nothing planned

25. Do you agree with the following statement?
    In business situations that demand action, clarifying who is in charge will help produce results.
    a. Agree
    b. Agree with some reservations
    c. Disagree

26. In playing competitive games what most concerns you?
    a. How well you play
    b. Winning or losing
    c. Both
    d. Neither

SCORING

To determine your entrepreneurial profile, find the score

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for each of your answers on the following chart. Add them up for your own personal score.

1.	a=10	b=5	c=5	d=2	e=0
2.	a=10	b=7	c=0		
3.	a=5	b=4	c=3	d=0	
4.	a=10	b=5	c=0		
5.	a=10	b=7	c=0		
6.	a=8	b=10	c=5	d=2	
7.	a=15	b=2	c=0	d=0	
8.	a=10	b=2	c=2		
9.	a=2	b=3	c=10	d=8	e=4
10.	a=0	b=15	c=0	d=0	
11.	a=10	b=5	c=10	d=5	
12.	a=0	b=5	c=10		
13.	a=0	b=10	c=0	d=5	
14.	a=0	b=2	c=10	d=3	
15.	a=0	b=10	c=0	d=0	
16.	a=0	b=10	c=3	d=0	
17.	a=5	b=5	c=5	d=5	e=15
18.	a=2	b=10	c=0		
19.	a=5	b=15	c=5		
20.	a=8	b=10	c=0	d=0	
21.	a=0	b=15			
22.	a=3	b=10	c=0	d=0	
23.	a=0	b=10			
24.	a=3	b=3	c=10		
25.	a=10	b=2	c=0		
26.	a=8	b=10	c=15	d=0	

YOUR ENTREPRENEURIAL PROFILE

Total Score	
235-285	Successful Entreprenuer. Someone who starts multiple businesses successfully.
200-234	Entrepreneur. Starts one business successfully.
185-199	Latent Entrepreneur. Always wanted to start a business.
170-184	Potential Entrepreneur. Has the ability but has not started thinking about starting a business yet.
155-169	Borderline Entrepreneur. No qualifications but still in the running. Would need a lot of training to succeed.
Below 154	Hired Hand.

SESSION SUMMARY

SESSION ONE	BUSINESS PLAN, GOALS INTRODUCTION
SESSION TWO	PLANNING, GOALS, IDENTIFYING YOUR BUSINESS
SESSION THREE	FINANCING
SESSION FOUR	PHYSICALLY SETTING UP YOUR BUSINESS
SESSION FIVE	ADVERTISING
SESSION SIX	EMPLOYEES, DOCUMENTATION, PAYROLL, AND WHAT THEY REALLY COST
SESSION SEVEN	INSURANCE, LEGAL, PROFESSIONAL, AND COLLECTIONS
SESSION EIGHT	TAX OBLIGATIONS AND LIABILITIES
SESSION NINE	BOOKKEEPING, RECORD KEEPING AND ACCOUNTING
SESSION TEN	STRESS, ORGANIZATION AND BURNOUT
SESSION ELEVEN	SALES, BUYING AND SELLING, "I NEED ANSWERS RIGHT THIS MINUTE, WHAT DO I DO NOW?"
SESSION TWELVE	WRAP-UP SESSION

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HOW TO START A SIDELINE VENTURE

(a) Seek out and talk to others who have successfully developed sideline ventures into full-time occupations.

(b) Seek opportunities to develop business skills in different directions. Keep some books, do some selling, do some business purchasing, do some payroll work, deal with some government agencies, and do some volunteer work if possible in the line of activity you intend to pursue.

(c) Collect venture ideas on scraps of paper whenever they occur. Buy a used file cabinet and collect information on these.

(d) Involve your family in the project, but discipline them not to bother you when working on it at home.

(e) Set up a home office somewhere in a corner. Pick a logo and obtain letterhead stationery. Set up accounting books. Obtain Internal Revenue Service booklets on business: taxes and deductions. From City Hall learn about state and local regulations and requirements.

(f) Seek out ways, such as through Trade Association, of replacing company group insurance and other fringe benefits.

(g) Call around and locate an attorney, an accountant, and a banker. Briefly inform them about your venture ideas and learn what they can do to help for what prices. (They do not change for telling about prices. But ask at the outset, particularly with lawyers.)

(h) Save money. Buy used rather than new things. Cut down on luxuries. Throw away the credit cards. Squeeze the household budget.

(i) At your regular job be a conscientious, model employee. Take every opportunity to learn about how different facets of a business work. But do not talk about your moonlighting or venture plans.

(j) Actually start some small-scale ventures, whether service, mail order, small fabrication, or whatever. Be prepared for some failures, but learn from them and move on to more ventures. Stick with full-time employment until you achieve some small scale successes at least.

SOURCE: New Venture Strategies, by Karl H. Vesper, Prentice-Hall, 1980

Wall Street Journal 12/29/65

Famous False Starts and Others Off the Charts

By Bob Fenster

Some business success stories start big and get bigger. Other winners prevail despite initial failure. Here's a look at how some very successful companies and individuals performed in their first year in business:

• In its first year in the soda business, Coca-Cola Co. sold 400 Cokes.

• The Apple microcomputer was turned down by both Hewlett-Packard and Atari, but had first-year sales of $2.5 million.

• Jean Paul Getty struck oil with his first oil lease, which he bought for $500 when he was 11 years old.

• In his first year in the automobile business, Henry Ford went bankrupt. Two years later, his second company also failed. His third corporation has done rather well, however.

• In his first year on the professional golf circuit, Jack Nicklaus won the U.S. Open.

• Bank of America was destroyed in its first year by the 1906 earthquake. But founder Amadeo Giannini rescued $80,000, set up a plank bank on the San Francisco waterfront and loaned out money to help rebuild the city, requiring only a man's pledge as security.

• Dr. Seuss's first children's book was rejected by 23 publishers; the 24th publisher sold six million copies of it.

• In 1903 King Gillette invented the safety razor but sold only 51 razors and 168 blades.

• In their first year as recording artists, the Beatles had four songs that made it to number one on the charts.

• In 1911, a new company named Computing-Tabulating-Recording Co. earned $1,240,672.32. It later became known as IBM.

• Time Magazine's first employee stayed with the publication for 56 years.

• In 1765, repairman James Watt designed the world's first steam engine in only two days, but it took him 10 more years before he could produce the first working model.

• In their first year in the major leagues, Willie Mays batted .274, Babe Ruth .300, Joe DiMaggio .323, Reggie Jackson .178, Ty Cobb .240, Pete Rose .273, Ted Williams .327, Lou Gehrig .423 and Hank Aaron .280.

• In his first year at Harvard, Edwin Land dropped out of school and invented the Polaroid.

• Howard Hughes Sr. was forced to abandon his first oil well because he couldn't drill through the hard rock. He then founded Hughes Tool Co. and invented a rock drill that became the foundation for the family fortune.

• In their film debuts, Jack Nicholson appeared in "Cry Baby Killer," Clint Eastwood in "Francis in the Navy," Jane Fonda in "Tall Story," Paul Newman in "The Silver Chalice," Robert Redford in "Warhunt," Ronald Reagan in "Love Is on the Air" and Goldie Hawn in "Cactus Flower" (for which she won an Oscar as Best Supporting Actress).

• In its first 28 attempts to send rockets into space, NASA had 20 failures.

• In his first year out of college, Isaac Newton completed his major life's work in gravity, the nature of light, and calculus.

• In their first attempt at finding oil, Edward Doheny and Charlie Canfield dug a shaft 165 feet into the La Brea Tar Pits in Los Angeles and struck just enough oil – seven barrels a day – to finance their Union Oil Co.

• In his first year as a writer, O. Henry was sentenced to prison for embezzlement.

• In 1891, American Express invented the traveler's check and sold $9,200 worth of them.

• R.H. Macy went broke with his first three dry-goods stores.

• In the Roman Empire's first year, one of the founders killed the other founder (his brother) over a land dispute.

• After Paul Galvin's storage-battery business failed for the second time in 1928, he borrowed $750, bought back part of it and went into business again as Motorola.

• In their television debuts, John Wayne appeared in an episode of "I Love Lucy," James Caan in "The Untouchables," Mary Tyler Moore in "Bourbon Street Beat," Clint Eastwood in "Navy Log," Robert Redford in "The Deputy," Ronald Reagan in "Airflyte Theater" and Ann-Margret did a voice-over on "The Flintstones."

• Czar Ivan was proclaimed emperor of Russia when he was three months old, but was deposed before his first birthday.

• When she was a year old, Queen Mary of England married the son of the king of France, three months her junior. The marriage didn't last.

Mr. Fenster is copy chief for a Mountain View, Calif., advertising firm.

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IS #003

Poor planning — the fatal error

In my early years as an accountant I used to take great comfort in statements that the reason most small businesses failed was lack of adequate record-keeping. That meant to me that I could therefore provide good record-keeping and assure that most of my clients would prosper.

After years of experience and despite a vested interest, I have changed that opinion. I believe that the reason for the failure of most small businesses is because of a deeper problem. I believe that most businesses fail because they lack a plan of what it is they are going to do and how they are going to do it.

Part of that plan would be to look at whom it is they are going to sell to or service and the needs of that potential customer or client. It is because they fail to address the planning process that they don't have adequate record-keeping.

It is difficult to generalize, but it has been my experience that the only time many people in business undertake a formal planning process is when they are forced to do so. The pressure usually comes from a need for additional funding either through equity investment or debt. It is the investor or creditor who demands the planning. And in such cases, planning is done only to the extent of the minimum needs of the investor or creditor and often still does not serve as a tool for the owner-operator of the business.

AS I SEE IT

The author, Edward Gillman, is a certified public accountant in private practice.

Many small business people pride themselves on being jacks-of-all-trades. They are the janitor, the window washer, the chief salesperson, the chief production person, the financier and the bookkeeper. Because little supervision is required, little planning is done as to what tasks have to be done when. This lack of planning and lack of priority-setting forces the businessperson into more chaos on a daily basis. This in turn reduces the time available for planning.

This vicious circle, once set in motion, is difficult to break. It is necessary occasionally to step back from the process and do the detailed planning needed for a successful operation. Plans should answer, at minimum, these questions:

- Where are you now? What weaknesses and strengths do you currently possess? Who are the people on whom you can rely as resources or help in overcoming or building on them? What is your competition like now?
- Where do you want to be in the next year, the next three years, and the next five years? What activities will you be undertaking? What strengths and talents will be required for those activities? How will those activities be financed? What will the result of those activities bring? (The more detailed you can be in your planning, the greater the chances are that your planning will be accurate.)
- How are you going to get where you want to be?

Even if you are a contractor and your current planning is merely to finish the contracts you have on hand, you have to have a plan as to which ones are going to be done first and who is going to be responsible for each one. This planning process includes the scheduling of your time, your staff's time and the resources you have available to you, setting priorities for them.

Also, the plan would consider what other resources you require to complete those activities. Equipment and supplies are an important factor in decision-making and if you do not plan your needs ahead of time, it often will cost you more for your equipment and supplies and often you will have the item in the wrong place or in the wrong time frame.

Many business people say, "What's the purpose of planning? We can't predict what's going to happen in the future." This is true, and no matter how good the plans are, unforeseen developments will always occur that will require some adjusting.

But if you are not even aware of what it is you are adjusting from at the time emergencies arise, the emergencies are usually handled less effectively, in a manner that not only doesn't solve the current problem adequately but triggers more emergencies in the future.

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DEVELOPING A BUSINESS PLAN OUTLINE

THERE ARE FOUR MAJOR SECTIONS TO MOST OUTLINES.

1. DESCRIPTION OF THE BUSINESS
   Totally informs the reader to the business idea, by explaining the type, the product or service, and why it will be successful.

2. MARKETING PLAN
   How will you move your product or service to insure a profitable operation. Who are your potential customers and where do they come from, and what makes them require your product or service.

3. ORGANIZATIONAL PLAN
   This section will tell how you intend to manage and operate your business. It will tell about your personnel and their capabilities, rate of pay, training, supervision and other related items.

4. FINANCIAL PLAN
   How will you use the money you are requesting and how do you intend to pay it back. This section is usually filled with considerable support material.

HELPFUL HINTS WRITING A GOOD BUSINESS PLAN

1. Present complicated material in graph form.

2. Don't clutter your plan with large meaningless words.

3. Expect revisions.

4. Have a friend or business associate question you on the contents of your plan. Be prepared to answer all questions.

5. Present it in a professional manner. Get it typed by a qualified typists.

TERMS

Sole Proprietor — Complete owner of business, and responsible for the debts of the business.

Income earned in the business is taxed along with the rest of the income earned by the owner.

Advantage is simplicity of formation.

Partnership — Requires agreement between owners.

All owners are equally responsible for the debts in a failure.

Limited — Regardless of your type of partnership, you should have some provisions to handle a crisis or death.

Corporation — Legal entity, empowered by the state to engage in business under its own name.

Owners purchase stock in the company.

If there is a death the business will continue.

LIFE CYCLE OF A BUSINESS

Pre-business stage

Business stage

Growth stage

Termination of business

Entrepreneur — One who organizes, manages and assumes the risks of a business or enterprise.

Small Business — One which is independently owned and operated and is not dominant in its field.

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DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Two: "Organizing Your Idea"

INTRODUCTION: In this session, you as the instructor will focus on organizing the participant's ideas into varifiable job plans. You should remember, that many have not done any organizational work in many years, and will need time and your patience. You should focus your immediate attention to part A under Objectives to insure that people are starting a business for valid reasons. "More time off" would not be considered a valid reason. "Personal desire to achieve" would be commendable.

OBJECTIVES: At the end of this session, participants will be able to:

A. Know why they are going into business.
B. Be able to define the business they are in (or planning).
C. Understand the value in good planning.
D. Have identified and written at least three business goals.
E. Establish a rough draft of their own prospective business plan.
F. Begin thinking realistically about start-up costs.

MATERIALS	IDENTIFYING NUMBER
"Handout for Small Business" Author - Jack Postlewaite, Attorney at Law	IS# 011
Handout - "How to Prepare a Business Plan" Author - Eau Claire County Dept. of Economic Development	IS# 012
"Start Up Costs" "Start Up Costs" (Overlays)	IS# 013
"Three Year Projected Expense Sheets" "Three Year Projected Expense Sheets" (Overlays)	IS# 014
"Business Plan Outline" District One Technical Institute	IS# 067
"Developing a Business Plan"	IS# 010
"Six Requirements of a Good Recordskeeping System"	IS# 047

AGENDA/LESSON

(10 Min.) 1. Weekly review. Note! This is an excellent time to speak informally to the class and try to give everyone a chance to relax. The instructor can talk about current business news that has hit the local media, his or her own experiences, or ask the class for any input. Or are there any questions from last week's class that were unanswered.

(25 Min.) 2. Review the importance of goal setting. (Student Activity)

A. Have participants write down three goals for their respective business idea.
B. Have them write down three personal goals. Note! It should be emphasized here that the two sets of goals should somehow be aligned with each other. Inform participants to keep this information in their notebooks.
C. Ask if anyone would share their goals with the class. (Student Activity) Note! Be prepared, the participants may not feel comfortable yet. If not, instructor should give his or her goals and ask again.

J Min.) 3. Define their business idea in one paragraph or less. (Student Activity) Note! By having them write their goals down on paper, you are forcing the students to be concise and "focus in" on the exact idea. Make sure students do not confuse "why" with the description. This is necessary to begin getting the participants thinking about their business plans.

(15 Min.) 4. Why do you want to go into business. (Student Activity)

A. Have students list their reasons.

(5 Min.) 5. Identify and list your markets. (Student Activity)

A. Who will buy my product?
B. Why will they buy it?
C. Where will my customers come from?

(5 Min.) 6. Identify and list their individual competitors. (Student Activity)

A. Who are they?
B. Where are they located?
C. What makes them competition?
D. How long have they been around?

(25 Min.) 7. Business Plan Outline (rough draft). (Student Activity) This is the point where we will focus on the first and second sections of the Business Plan handout IS# 060.

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AGENDA/LESSON

A. Handout the "Business Plan" packet IS# 060.
B. Have them go through the outline form and answer the questions as they go. Use overhead projector with #060.

(15 Min.) 8. Break!

(50 Min.) 9. Financing. Note! This will be the first time many have had to think about this area seriously, therefore, their answers may be somewhat unrealistic. Through the instructor's help this situation will correct itself.

A. Start-Up Costs (Combined Activity)
   1. What are some of the start-up costs?
   2. List them on the board.
   3. Use overhead projector.
B. Handout the three-year projections (Worksheets - IS# 014). (Student Activity)
   1. Why are projections important?
   2. Why do the lending institutions require this?
   3. Begin filling them out.

   Note! This is a good time to let them break into small groups to develop these ideas. When the group discussion is over, ask them to contribute their ideas in class and list them on the board, or let them work individual while the instructor does it on the board.
C. Financing
   1. What it is.
   2. Where to get it.
      a. Lending Institution
      b. Family
      c. Your Own Funds
   3. How to use it properly.
      a. Plan for its use.
      b. Let someone else help you plan if you can't do it properly.

(10 Min.) 10. Review projections.

A. Are these realistic?
B. Do they allow for an income immediately?
C. Are the projections and goals compatible?

AGENDA/LESSON

(10 Min.) 11. Give home assignment. (Student Activity)

A. Pass out Postlewaite handout #11.
B. Student should call local government for:
   1. Zoning and licensing requirements for their individual business ideas.
   2. Write this information down in notebook.
   3. Check into Federal, State, County and City governments for permit and license requirements.
   4. Check with insurance company if you are anticipating a home occupation. (Some policies will not cover home occupations.)

   Note! It is important to tell students not to get discouraged during this exercise, but to bring their experience for all of us to benefit by.

12. Self Evaluation.

A. Re-examine the class notes and make sure each subject was properly covered. Write down any questions for discussion at the following session.

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Jack A. Postlewaite
Attorney
P.O. Box 1207
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GOVERNMENTAL REQUIREMENTS

I. In the establishment of any business, the following items should be obtained or investigated prior to or at the time of commencing business.

A. Determine what licenses, permits and filing numbers are required of you. The governmental agencies which may require the same are:

1. Federal government
2. State of Wisconsin
3. City of township in which you are doing business.

B. The Federal government will require of you tax identification number (form may be obtained from the Internal Revenue Service, Federal Office Building, Eau Claire).

C. The State will require:

1. Withholding tax identification number
2. State sales tax number (seller's permit)
3. State unemployment compensation number.

D. The above forms may be obtained from the State Office Building, Clairemont Avenue, Eau Claire, Wisconsin. Application for all of the above should be made prior to commencing business.

Other reporting and payment requirements that you may be involved with are as follows:

A. Federal

1. U.S. tax returns (depending upon sole proprietorship, partnership, or corporation you must utilize the correct one), and estimated tax payments if required.

2. Employer's annual federal unemployment tax report and payment.

3. Wage and tax statements to employees.

B. State

1. Unemployment compensation contribution reports.

2. Wisconsin sales and use tax returns.

3. Wisconsin income tax returns.

C. Also, if you have employees, you will be required to make deposits for social security and taxes withheld to both the State and Federal government.

D. Depending upon the nature of the business you are engaged in you may also find you are required to obtain licenses or permits from various State, Federal or local agencies. You should check this matter out thoroughly prior to commencing business.

II. Governmental control and rights of employees.

A. Rights of employer from employees.

1. An honest day's work.

2. Degree of loyalty.

3. Conformity to work and safety rules.

B. Rights of employees from employer.

1. Compensation at State or Federal wage rates (whichever applicable), for time worked.

2. Safe place of employment.

3. Workmen's compensation coverage, if injured on the job.

4. If unionized, the benefits agreed upon in collective bargaining.

5. Non-discrimination because of race, color, creed, national origin, sex, physical disability or age - or union activities.

6. If terminated without cause, the right to unemployment compensation.

C. Frequent misunderstood rights in employment.

1. Lacking an employee or labor contract an employee can be dismissed without cause providing said reason for dismissal does not violate any State or Federal employment standards (i.e. race, color, creed, etc.).

2. An employee does not have a right to be paid for time not worked unless previously agreed upon by employer (i.e. lunch or coffee breaks, holidays, vacations)

3. Overtime commences after 40 hours, unless covered by special governmental contract employer laws.

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4. Termination of an employee for inability to perform his work does not (except in various specific incidences) cancel that employee's rights to collect unemployment compensation. However, an employee who refuses to follow reasonable work rules or to perform the work assigned can be terminated and lose his rights to collect unemployment compensation. To challenge unemployment compensation rights you must follow the schedule of responses laid out by the Wisconsin Department of Industry, Labor and Human Relations.

5. Workmen's compensation is paid to employees injured on the job (in the course and scope of employment). Who is at fault is not important, however, the injury cannot be self-inflicted by the employee. An employer can be subject to a penalty not covered by workmen's compensation insurance (but paid directly by the employer) for injuries resulting from unsafe working conditions caused or allowed by the employer.

6. The State of Wisconsin imposes strict limitations on the hours of work and type of work that can be performed by minors. Make sure that if you are hiring anyone under 18 years of age you have checked out the job to see that it conforms to State law requirements.

7. Although employees by law have the right to organize into labor unions, an employer has certain rights also. If you feel your employees are organizing into a union and wish to oppose it, seek professional guidance as to what are your lawful rights and duties during and after an organizational attempt. The law of labor organization is very complex and an incorrect move on your part can cause a result you do not want or anticipate.

IS # 012

HOW TO PREPARE A BUSINESS PLAN

-Guidelines for Entrepreneurs-

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INTRODUCTION

The business plan is your company's principal sales tool in raising capital. Before risking any capital, investors want to assure themselves that you have thought through your plans carefully, that you know what you are doing, and that you can respond effectively to problems and opportunities. They will insist on seeing your business plan before considering any investment, and often will not even meet with entrepreneurs without a prior review of the business plan. Therefore, your business plan must be well prepared and persuasive in conveying the potetial of the company it describes. It should address all major issues, and yet not be so detailed that it "turns off" the investor-reader. You should try to have a business plan not more than 50 pages long.

The guidelines that follow describe:

-The necessary sections of a business plan;

-What should be included in each section and subsection;

-Why the information is necessary.

Intelligent use of these guidelines should result in a complete professional business plan which presents in an orderly fashion the facts necessary to obtain an investment decision [redacted]. Common sense should be used in applying the guidelines to develop a business plan for each venture.

Because the guidelines were written to cover a variety of possible ventures, rigid adherence to them is not possible or even desirable for all ventures. For example, a plan for a service business would not require a discussion of manufacturing or product design.

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SUMMARY

Many investors like to read through a one or two page summary of a business plan that highlights its important features and opportunities, and allows them to determine quickly whether or not the venture described is of interest.

Do not write your summary until you have written your plan. As you draft each section, circle one or two sentences that you think are important enough to be included in a summary.

Allow plenty of time to write an appealing and convincing summary, remembering that the summary is the first thing about you and your venture that the would-be investor is going to read. Unless it is appealing and convincing, it will also be the last. You may have spent many weeks on the rest of your plan and it may be very good. However, if that quality does not come through in your summary, you may not get a chance to makea presentation at which you can convincingly rebut criticism and clear up misunderstanding.

It is recommended that, as a minimum, your summary should contain brief statements about the following features of your venture.

The Company and Its Founders: You should indicate when the company was formed, what it will do, and what is special or unique about its product or technology. Also indicate what in the background of the entrepreneurs makes them particularly qualified to pursue the business opportunity.

If your company has been in business for a few years, indicate what its sales and profits were in its most recent fiscal year and the trend of sales and profits.

Market Opportunity: Identify and briefly explain the market opportunity. This explanation should include information on the size and growth rate of the market for your company's product or service, and a statement indicating the percentage of that market that will be captured. A brief statement about industry-wide trends is useful. You might also indicate any plans for expanding the initial product line.

Products and Technology: Identify any proprietary technology, trade secrets or unique skills that give you a compatitive edge in the market place.

Financial Projections: State your slaes and profit projections for the first and second years of operation after obtaining the necessary financing.

Proposed Financing: Briefly indicate how much equity financing you want, how much of your company you are prepared to offer for that financing, and what use will be made of the capital raised.

1. THE INDUSTRY, THE COMPANY AND ITS PRODUCTS

The purpose of this section is to give the investor some context in which to fit all that you are about to say concerning your product and its market. This section should clearly present the business that you are in, the product you will offer, the nature of your industry and the opportunities available to market your product.

The Industry

Present the current status and prospects for the industry in which the proposed business will operate. Discuss any new products or developments, new markets and customers, new requirements, new companies, and any other national or economic trends and factors that could affect the venture's business positively or negatively. Identify the source of all information used to describe industry trends.

The Company

Describe briefly what business area your company is in, or intends to enter; what products or services it will offer; and who are or will be its principal customers.

As background give the date your venture was incorporated and describe the identification and development of its products and the involvement of the company's principals in that development.

If your company has been in business for several years and is seeking expansion financing, review its history and cite its prior sales and profit performance. If your company has had set-backs or losses in prior years, discuss these and emphasize what has and will be done to prevent a recurrence of these difficulties and to improve your company's performance.

The Products and/or Services

The potential investor will be vitally interested in exactly what you are going to sell, what kind of product protection you have, and the opportunities and possible drawbacks to your product or service.

A. Description: Describe in detail the products or services to be sold. Discuss the application of your product or service. Describe the primary end-use as well as any significant secondary applications. Emphasize any unique features of your product orservice, and highlight any differences between what is currently on the market and what you will offer that will account for your market penetration.

Define the present state of development of the product or service. For products, provide a summary of the functional specifications. Include photographs when available.

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B. Proprietary Position: Describe any patents, trade secrets or other proprietary features. Discuss any head start that you might have that would enable you to achieve a favored or entrenched position in your industry.

C. Potential: Describe any features of your product or service that give it an advantage over the competition. Discuss any opportunities for the expansion of the product line or the development of related products or services. Emphasize your opportunities and explain how you will take advantage of them.

Discuss any product disadvantage or the possibilities of rapid obsolescence because of technological or styling changes, or marketing fads.

D. Competition: Make a realistic assessment of the strengths and weaknesses of competitive products and services and name the companies that supply them. State the data sources used to determine which products are competitive and the strengths of the competition.

Compare competing products or services on the basis of price, performance, service, warranties and other pertinent features. A table can be an effective way of presenting these data. Present a short disussion of the current advantages and disadvantages of competing products and services and say why they are not meeting customer needs. Indicate any knowledge of competitors' actions that could lead you to new or improved products and an advantageous position.

Review the strengths and weaknesses of the competing companies. Determine and discuss each competitor's share of the market, sales, distribution and production capabilities. Also review the profitability of the competition and their profit trend. Who is the pricing leader; quality leader? Discuss why any companies have entered or dropped out of the market in recent years.

Discuss your three or four key competitors and why the customer buys from them. From what you know about their operations, explain why you think you can capture a share of their business. Discuss what makes you think it will be easy or difficult to compete with them.

E. Estimated Market Share and Sales: Summarize what it is about your product or service that will make it saleable in the face of current and potential competition.

Identify any major customers who are willing to make purchase commitments. Indicate the extent of those commitments and why they were made. Discuss which customers could be major purchasers in future years and why.

Based upon your assessment of the advantages of your product or service; the market size and trends; customers; the competition and their products, and the sales trends in prior years; estimate your share of the market, and your sales in units and dollars for each of the next three years. The growth of the company's sales and its estimated market share should be related to the growth of its industry, the customers and the strengths and weaknesses of competitors. This data can be presented in a table, as shown below.

The assumptions usedto estimate market share and sales should be clearly stated. If yours is an existing business indicate the total market, and your market share and sales for two prior years.

		Sales and Market Share Data					
		1st Year				Year	
		1Q	2Q	3Q	4Q	2	3
Estimated Total Market	Units						
	Dollars						
Estimated Sales	Units						
	Dollars						
Estimated Market Share, %	Units						
	Dollars						

F. Ongoing Market Evaluation: Explain how you will evaluate your target markets on a continuing basis to assess customer needs; to guide product improvement and new product programs; to plan for expansions of your production facility; and to guide product/service pricing.

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3. MARKETING PLAN

The marketing plan describes how the sales projections will be attained. It should detail the overall marketing strategy, sales and service policies, distribution and advertising that will be used to achieve the estimated market share and sales projections. It should describe specifically what is to be done. how it will be done, and who will do it.

A. Overall Marketing Strategy: Describe the general marketing philosophy and strategy of the company. This should be derived partly from the market research and evaluation. It should include a discussion of: What kinds of customer groups will be targeted for initial intensive selling effort? What customer groups for later selling efforts? How will specific potential customers in these groups be identified and how will they be contacted? What features of the product or service --e.g., quality, price, delivery, warranty -- will be emphasized to generate sales? Are there any innovative or unusual marketing concepts that will enhance customer acceptance -- e.g., leasing where only sales were previously attempted?

Indicate whether the product or service will be introduced initially, nationally or on a regional level. If on a regional level, explain why and indicate if and when you plan to extend sales to other sections of the country. Discuss any seasonal trends and what can be done to promote sales out of season.

Describe any plans to obtain government contracts to support product development costs and overhead.

B. Pricing: Many entrepreneurs have told us that they have a superior product that they plan to sell for a lower price than their competitors' product. This makes a bad impression for two reasons. First, if their product is as good as they say it is, they must think they are very poor sales people to have to offer it at a lower price than the competition. Second, costs tend to be underestim ated. If you start out with low costs and prices, there is little room to maneuver; and price hikes will be tougher to implement than price cuts.

The pricing policy is one of the more important decisions you will have to make. The "price must be right" to penetrate the market, maintain a market position and produce profits. Devote ample time to considering a number of pricing strategies and convincingly present the one you select.

Discuss the prices to be charged for your products or services and compare your pricing policy with those of your major competitors. Discuss the gross profit margin between manufacturing and ultimate sales costs. Indicate whether this margin is large enough to allow you a profit and also allow for distribution and sales; warranty; services;amortization of development and equipment costs; and price competition.

Explain how the price you set will enable you to:

-Get the product or service accepted

-Maintain and profitably increase your market share in the face of competition

-Produce profits

Justify any price increases over competitive items on the basis of newness, quality, warranty, and service.

If your product is to be priced lower than your competition's, explain how you will do this and maintain profitability--e.g., greater effectiveness in manufacturing and distributing the product, lower labor costs, lower overhaed, or lower material costs.

Discuss the relationship of price, market share and profits. For example, a higher price may reduce volume but result in a higher gross profit. Describe any discount allowance for prompt payment of volume purchases.

C. Sales Tactics: Describe the methods that will be used to make sales and distribute the product or service. Will the company use its own sales force; sales representatives; distributors? Can you use manufacturers' sales organizations already selling related products? Describe both the initial plans and lbnger range plans for a sales force. Discuss the margins to be given to retailers, wholesalers, and salesmen and compare them to those given by your competition.

If distributors or sales representatives are to be used, describe how they have been selected, when they will start to represent you and the areas they will cover. Show a table that indicates the build-up of dealers and representatives by month and the expected sales to be made by each dealer. Describe any special policies regarding discounts, exclusive distribution rights, etc.

If a direct sales force is to be used, indicate how it will be structured and at what rate it will be built up. If it is to replace a dealer or representative organization, indicate when and how. Show the sales expected per salesperson per year, what commission incentive and/or salary they are slated to receive, and compare these figures to the average for your industry.

Present as an exhibit a selling schedule and a sales budget that includes all marketing, promotion and service costs. This sales expense exhibit should also indicate when sales will commence and the lapse between a sale and a delivery.

D. Service and Warranty Policies: If your company will offer a product that will require service and warranties, indicate the importance of these to the customers' purchasing decision and discuss your method of handling service problems. Describe

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D. Service and Warranty Policies: If your company will offer a product that will require service and warranties, indicate the importance of these to the customers' purchasing decision and discuss your method of handling service problems. Describe the kind and term of any warranties to be offered, whether service will be handled by a company service organization, agencies, dealers and distributors, or factory return. Indicate the proposed charge for service calls and whether service will be a profitable or breakeven operation. Compare your service and warranty policies and practices to those of your principal competitors.

E. Advertising and Promotion: Describe the approaches the company will use to bring its product to the attention of prospective purchasers. ForOEM and industrial products indicate the plans for trade show participation, trade magazine advertisements, direct mailings, the preparation of product sheets and promotional literature,and the use of advertising agencies. For consumer products indicate what kind of advertising and promotional campaign is contemplated to introduce the product and what kind of sales aids will be provided to dealers. The schedule and cost of promotion and advertising should be presented. If advertising will be a significant part of company expenses, an exhibit showing how and when these costs will be incurred should be included.

4. DESIGN AND DEVELOPMENT PLANS

If the product, process or service of the proposed venture requires any design and development before it is ready to be placed on the market, the nature and extent of this work should be fully discussed. The investor will want to know the extent and nature of any design and development and the costs and time required to achieve a marketable product. Such design and development might be the engineering work necessart to convert a laboratory prototypw to a finished product; or the design of special tooling; or the work of an industrial designer to make a product more attractive and saleable; or the identification and organization of manpower, equipment and special techniques to implement a service business--e.g., the equipment, new computer software and skills required for computerized credit checking.

A. Development Status and Tasks: Descibe the current status of the product or service and explain what remains to be done to make it marketable. Describe briefly the competence or expertise that your company has or will acquire to complete this development. Indicate the type and extent of technical assistance that will be required, state who will supervise this activity within your organization and his experience in related development work.

B. Difficulties and Risks: Identify any major anticipated design and development problems and approaches to their solution. Discuss their solution. Discuss their possible effect on the schedule cost of design and development, and time of market introduction.

C. Product Improvement and New Products: In addition to describing the development of the initial products, discuss any on-going and development work that is planned to keep your product or service competitive and to develop new related products that can be sold to the same group of customers.

D. Costs: Present and discuss a design and development budget. The costs should include labor, materials, consulting fees, etc. Design and development costs are often underestimated. This can seriously impact cash flow projections. Accordingly, consider and perhaps show a 12%-20% cost contingency. These cost data will become an integral part of the financial plan.

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5. MANUFACTURING AND OPERATIONS PLANS

The manufacturing and operations plan should describe the kind of facilities, plant location, space requirements, capital equipment and labor force(part- and full-time)that are required to provide the company's product or service. For a manufacturing business, discuss your policies regarding inventory control, purchasing, production control, and "make or buy decisions"(i.e., which parts of the product will be purchased and which operations will be performed by your work force). A service business may require particular attention and focus on an appropriate location, an ability to minimize overhead lease the required equipment, and obtain competitive productivity from a highly skilled or trained labor force.

The discussion guidelines given below are general enough to cover both product and service businesses. Only those that are relevant to your venture--be it product or service--should be addressed in the business plan.

A. Geographic Location: Describe the planned location of the business and discuss any advantages or disadvantages of the site in terms of wage rates, labor unions, labor availability, closeness to customers or suppliers, access to transportation, state and local taxes and laws, utilities and zoning. For a service business, proximity to customers is generally a "must".

B. Facilities and Improvements: If yours is an existing business, describe the facilities currently used to conduct the company's business. This should include plant and office space; storage and land areas; machinery, special tooling and other capital equipment.

If your venture is a start-up, describe how and when the necessary facilities to start production will be acquired. Discuss whether equipment and space will be leased or acquired (new or used) and indicate the costs and timing of such actions. Indicate how much of the proposed financing will be devoted to plant and equipment. (These cost data will become part of the financial plan.)

Discuss how and when plant space and equipment will be expanded to the capacities required for future sales projections. Discuss any plans to improve or add to existing plant space or move the facility. Explain future equipment needs and indicate the timing and cost of such acquisitions. A three year planning period should be used for these projections.

C. Strategy and Plans: Describe the manufacturing processes involved in your products production and any decisions with respect to subcontracting component parts rather than manufacturung in-house. The "make or buy" strategy adopted should consider inventory financing, available labor skills and other

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non-technical questions as well as purely production, cost, and capability issues. Justify your propsed "make or buy" policy. Discuss any surveys you have completed of potential subcontractors and suppliers, and who these are likely to be.

Present a production plan that shows cost volume information at various sales levels of operation with breakdowns of applicable material, labor, purchased components and factory overhead. Discuss the inventory required at various sales levels. These data will be incorporated into cash flow projections. Explain how any seasonal production loads will be handled without severe dislocation;--e.g., by building inventory or using part-time help in peak periods.

Briefly, describe your approach to quality control, production control, inventory control. Explain what quality control and inspection procedures the company will use to minimize service problems and associated customer dissatisfaction.

Discuss how you will organize and operate your purchasing function to ensure the adequate materials are on hand for production, the best price has been obtained, and that raw materials and in-process inventory, and hence, working capital have been minimized.

D. Labor Force: Exclusive of management functions(discussed later), does the local labor force have the necessary skills in sufficient quantity and quality(lack of absenteeism, productivity), to manufacture the products or supply the services of your company. If the skills of the labor force are inadequate to the needs of the company, describe the kinds of training that you will use to upgrade their skills. Discuss whether the business can provide training and still offer a competitive product both in the short-term(first year) and longer term (2-5) years.

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6. MANAGEMENT TEAM

The management team is the key to turning a good idea into successful business. Investors look for a committed management team with a balance of technical, managerial and business skills, and experience in doing what is proposed .

Accordingly, this section of the business plan will be of primary interest to potential investors and will significantly influence their investment decisions. It should include a description of the key management personnel and their primary duties; the organizational structure; and the board of directors.

A. Organization: In a table, a present the key management roles in the company and the individual who will fill each position.

Discuss any current or past situations where the key management people have worked together that indicate how their skills complement each other and result in an effective management team. If any key individuals will not be on hand at the start of the venture, indicate when they will join the company.

In a new business, it may not be possible to full each executive role with a full-time person without excessively burdening the overhead of the venture. One solution is to use part-time specialists or consultants to perform some functions. If this is your plan, discuss it and indicate who will be hired and when they will be replaced by a full-time staff member.

If the company is established and of sufficient size, an organization chart can be appended as an exhibit.

B. Key Management Personnel: Describe the exact duties and responsibilities of each of the key members of the management team. Include a brief(three or four sentence) statement of the career highlights of each individual that focuses on accomplishments that demonstrate his or her ability to perform the assigned role.

Complete resumes for each key management member should be included here or as an exhibit to the business plan. These resumes should stress training, experience and accomplishments of each person in performing functions similar to that person's role in the venture. Accomplishments should be discussed in such concrete terms as profit and sales improvement; labor management; manufacturing or technical achievements; and ablity to meet budgets and schedules. Where possible it should be noted who can attest to accomplishments and what recognition or rewards were received--e.g., pay increases, promotions, etc.

C. Management Compensation and Ownership: The likelihood of obtaining financing for a start-up is small when the founding management team is not prepared to accept initial modest salaries. If the founders demand substantial salaries in excess of what they received at their prior employment, the potential investor will conclude that their psychological commitment to the venture is a good deal less than it should be.

State the salary that is to be paid to each key person and compare it to the salary received at his/her last independent job. Set forth the stock ownership planned for the key personnel, the amount of their equity investment (if any), and any performance-dependent stock option or bonus plans that are contemplated.

D. Board of Directors: Discuss the company's philosophy as to the size and composition of the board. Identify any proposed board members and include a one or two sentence statement of the member's background that shows how he or she can benefit the company.

E. Management Assistance and Training Needs: Describe, candidly, the strengths and weaknesses of your management team and Board of Directors. Discuss the kind, extent and timing of any management training that will be required to overcome the weaknesses and obtain effective venture operation. Also discuss the need for technical and management assistance during the first three years of your venture. Be as specific as you can as to the kind, extent and cost of such assistance and how it will be obtained.

F. Supporting Professional Services: State the legal (including patent), accounting, advertising and banking organizations that you have selected for your venture. Capable, reputable and well known supporting service organizations can not only provide significant direct, professional assistance, but can also add to your venture. In addition, properly selected professional organizations can help you establish good contacts in the business community, identify potential investors, and help you secure financing.

OVERALL SCHEDULE

A schedule that shows the timing and interrelationship of the major events necessary to launch the venture and realize its objectives is an essential part of a business plan. In addition to being a planning aid and showing deadlines critical to a venture's success, a well-prepared schedule can be an extremely effective sales tool in raising money from potential investors. A well-prepared and realistic schedule demonstrates the ability of the management team to plan for venture growth in a way that recognizes obstacles and minimizes risk.

Prepare, as a part of this section, a month-by-month schedule that shows the timing of activities such as product development, market planning, sales programs, and production and operations. Sufficient detail should be included to show the timing of the primary tasks required to accomplish an activity.

Show on the schedule the deadlines or milestones critical to the venture's success. This should include events such as:

-Incorporation of the venture (for a new business)

-Completion of design and development

-Completion of prototypes (a key date; its achievement is a tangible measure of the company's ability to perform)

-When sales representatives are obtained

-Displays at trade shows

-When distributors and dealers are signed up

-Order of materials in production quantities

-Start of production or operation (another key date because it is related to the production of income)

-Receipt of first orders

-First sales and deliveries (a date of maximum interest because it relates directly to the company's credibility and need for capital)

-Payment of first accounts receivable (cash in)

The schedule should also show the following and their relation to the development of the business:

-Number of management personnel

-Number of production and operations personnel

-Additions to plant or equipment

Discuss in a general way the activities most likely to cause a schedule slippage, and what steps you would take to correct such slippages. Discuss the impact of schedule slippages on the ventur's operation, especially its potential viability and capital needs. Keep in mind that the time to do things tends to be underestimated--even more than financing requirements. So be realistic about your schedule.

8. CRITICAL RISKS AND PROBLEMS

The development of a business has risks and problems, and the business plan invariably contains some implicit assumptions about them. The discovery of any unstated negative factors by potential investors can undermine the credibility of the venture and endanger its financing.

On the other hand, identifying and discussing the risks in your venture demonstrates your skills as a manager and increases your credibility with a venture capital investor. Taking the initiative to identify and discuss risks helps you demonstrate to the investor that you have thought about them and can handle them. Risks then tend not to loom as large black clouds in the investor's thinking about your venture.

Accordingly, identify and discuss the major problems and risks that you think you will have to deal with to develop the venture. This should include a description of the risks relating to your industry, your company and its personnel, your product's market appeal and the timing and financing of your start-up. Among the risks that might require discussion are:

-Price cutting by competitors

-Any potentially unfavorable industry-wide trends

-Design or manufacturing costs in excess of estimates

-Sales projections not achieved

-Product development schedule not met

-Difficulties or long lead times encountered in the procurement of parts or raw materials

-Difficulties encountered in obtaining bank credit lines because of tight money

-Larger than expected ennovation and development costs to stay competitive

-Availability of trained labor

This list is not meant to be complete but only indicative of the kinds of risks and assumptions that might be discussed.

Indicate which of your assumptions or potential problems are most critical to the success of the venture. Describe your plans for minimizing the impact of unfavorable developments in each risk area on the success of your venture.

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9. COMMUNITY BENEFITS

The proposed venture should be an instrument of community and human development as well as economic development, and it should be responsive to the expressed desires of the community.

Describe and discuss the potential economic and non-economic benefits to members of the community that could result from your venture.

Among the potential benefits that may merit discussion are:

Economic Development

- number of jobs generated in each of the first three years of the venture
- number and kind of new employment opportunities for previously unemployed or underemployed individuals
- number of skilled and higher paying jobs
- ownership and control of venture assets by community residents
- purchase of goods and services from local suppliers

Human Development

- new technical skills development and associated career opportunities for community residents
- management development and training
- employment of unique skills within the community that are now unused

Community Development

- development of community's physical assets
- improved perception of CDC responsiveness and their role in the community
- provision of needed, but supplied, services or products to the community
- improvements in the living environment
- community support, participation and pride in the venture
- development of community-owned economic structure and decreased absentee business ownership

Describe any compromises or time lags in venture profitability that mat result from trying to acheive some or all of the kinds of benefits cited above. Any such compromises or lags n profitability should be justified in the context of all the benefits achieved and the role of the venture in a total, planned program of economic, human and community development.

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10. THE FINANCIAL PLAN

The financial plan is basic to the evaluation of an investment opportunity ans should represent the entrepreneur's best estimate of future operations. Its purpose is to indicate the venture's potential and the timetable for financial viability. It can also serve as an operating plan for financial management of the venture.

In developing the financial plan, three basic forecasts must be prepared:

a. Profit and Loss Forecasts for three years

b. Cash Flows Projections for three years

c. Pro Forma Balance Sheets at start-up, semi-annually in the first year and at the end of each of the first three years of operation

In the case of an existing venture seeking expansion capital, balance sheets and income statements for the current and two prior years should be presented in addition to these financial projections.

It is recommended that the venture's financial and marketing personnel prepare them, with assistance from an accountant if required. In addition to these three basic financial exhibits, abreak even chart should be presented that shows the level of sales required to cover all operating costs.

After you have completed the preparation of the financial exhibits, briefly highlight in writing the important conclusions that an be drawn. This might include the maximum cash requirement, the amount to be supplied by equity and debt; the level of profits as a percent of sales; how fast any debts are repaid; etc.

A. Profit and Loss Forecast

The preparation of pro forma income statements is the profit planning part of financial management. Crucial to the earnings forecasts--as well as other projections--is the sales forec st. You have already developed sales forecasts while completing your Market Research and Analysis section. The sales data projected should be used here.

Once the sales forecasts sre in hand, production costs (or operations costs for a service business) should be budgeted. The level of production or operation that is required to meet the sales forecasts and also to fulfill inventory requirements must be determined. The material, labor, service and manufacturing overhead requirements must be developed and translated into cost data. A seperation of the fixed and variable elements of these costs is desirable, and the effect of sales volume on inventory, equipment acquisitions and manufacturing costs should be taken into account.

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Sales expense should include the costs of selling the distribution, storage, discounts, advertising and promotion. General and administrative expense should include management salaries, secretarial costs, and legal and accounting expenses. Manufacuring or operations overhead includes rent, utilities, fringe benefits, telephone, etc.

Earnings projections should be prepared monthly in the first year of operation and quarterly for the second and third years.

If these earnings projections are to be useful they must represent management's realistic, best estimates of probable operating results. Sales or operating cost projections that are either tooconservative or too optimistic have little value as aids to policy formulation and decision-making.

Discussion of Assumptions: Because of the importance of profit and loss projections as an indication of the potential financial feasibility of a new venture to potential investors, it is extremely important that any assumptions made in its preparation be fully explained and documented. Such assumptions could include the amount allowed for bad debts and discounts, and any assumptions made with respect to sales expenses or general and administrative costs which are fixed percentages of costs or sales.

Risks and Sensitivity: Once the income statements have been prepared, draw on Section 8 of these guidelines to highlight any major risks that could prevent the venture's sales and profit goals from being attained, and the sensitivity of profits to these risks.

B. Pro Forma Cash Flows Analysis

For a new venture the cash flows forecast can be more important than the forecasts of profits because it details the amount and timing of expected cash inflows and outflows. Usually the level of profits, particularly during the start-up years of a venture, will not be sufficient to finance operating asset needs. Moreover, cash inflows do not match the outflows on a short-term basis. The cash flows forecast will indicate these conditions and allow management to plan cash needs.

Given a level of projected sales and capital expenditures over a specific period, the cash forecast will highlight the need for and timing of additional financing and indicate financing is to be obtained, on what terms, and how it is to be repaid. Part of the needed financing will be supplied by the equity financing(that is sought by this business plan) part by bank loans for one to five years, and the balance by short-term lines of credit from banks. This information becomes part of the final cash flows forecast.

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If the venture is in a seasonal or cyclical industry, or is in an industry in which suppliers require a new firm to pay cash, or if an inventory build-up occurs before the product can be sold and produce revenues, the cash flow forecast is crucial to the continuing solvency of the business. A detailed cash flow forecast which is understood and used by management can help them direct their attention to operating problems without distractions caused by periodic cash crises that should have been anticipated. Cash flow projections should be made for each month of the first year of operation and quarterly for the second and third years.

Discussion of Assumptions: This should include assumptions made about the timing of collections receivables, trade discounts given, terms of payments to vendors, planned salary and wage increases, anticipated increases in any operating expenses, seasonality of the business as it affects inventory requirements, inventory turnovers, and capital equipment purchases. Thinking about such assumptions when planning your venture is useful for identifying issues which may later require attention if they are not to become significant problems.

Cash Flow Sensitivity: Once the cash flow has been completed, discuss the impact on cash needs that possible changes in some of the crucial assumptions would have; e.g., slower receivables collection or sales below forecasts. This will enable you to test the sensitivity of the cash budget based on differing assumptions about business factors, and to view several possible outcomes. Investors are vitally interested in this because it helps them estimate the possibility that you will need cash sooner than planned.

C. Pro Forma Balance Sheets)

The balance sheets detail the assets required to support the projected level of operations and show how these assets are to be financed (liabilities and equity). Investors and bankers look at the projected balance sheets to determine if debt to equity ratios, working capital, current ratios, inventory turnover, etc., are within the acceptable limits required to justify future financing projected for the venture.

Pro forma balance sheets should be prepared at start-up, semi-annually for the first year, and at the end of the first three years of operation.

D. Breakeven Chart

A breakeven chart shows the level of sales (and hence, production) needed to cover all your costs. This includes those costs that vary with the production level (manufacturing labor, material, sales costs) and those that do not change with production (rent, interest charges, executive salaries, etc.). The sales level that exactly equals all costs is the breakeven level for your venture.

START UP COSTS

Fixtures and equipment

Remodeling

Installation of fixtures

Starting inventory

Deposits for utilities

Legal and professional fees

Licenses

Advertising and promotion

Printing

THREE YEAR EXPENSE PROJECTION

	1st Year	2nd Year	3rd Year
Salary (owner/manager)			
Salaries (others)			
Rent			
Advertising			
Supplies			
Telephone			
Electricity			
Fuel Oil			
Water			
INSURANCE:			
Building Insurance			
Equipment Insurance			
Liability Insurance			
Other Insurance			
Taxes			
Interest			
Bank Charges			
Legal Fees			
Accounting Fees			
Miscellaneous			

BUSINESS PLAN OUTLINE

COVER SHEET:
Name of business.
Name of owner(s).
Address and telephone number of business or where owner(s) can be reached.
Date presented.

FIRST SHEET:
Statement of purpose.
Name of business and address.
Amount of financing needed.
Purpose of financing.
Statement of profit potential.

Section I: Description of Business (be brief).

A. Describe the business and the product or service you will sell.
B. Discuss the history of the business, if any.
C. Discuss your experiences.
D. Discuss the growth possibilities for the business and your reasons for believing the business will be successful.

Section II: Marketing Plan

A. Describe your potential customers and how you plan to attract and hold them.
B. Describe your competition, how their businesses are currently faring, and how your business will be superior to each competitor. (Remember this is a sales tool.)
C. Describe your sales promotion plan, your selling methods, your purchasing plan, your best suppliers and what they offer.
D. Describe your location, its features, what factors influenced you to choose it, your floor layout, and how all location factors influence marketing. Tell what equipment you need.

Section III: Organization Plan

A. Describe your management personnel, what each manager will do, their qualifications for the job, and their salaries for the first three years.
B. Discuss any consultant or specialist services you will use and the assistance each will provide.
C. Describe the employees you will need, what each will do, and how you will employ, pay, train and supervise them.
D. Describe the legal structure and how it will contribute to the business. Name your officers, if any, and present an organization chart.
E. Describe your plan for managing finances and recordkeeping after the business gets going.
F. Discuss any licenses, permits, or regulations that affect your business.

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Section IV: Financial Plan

A. Include the Application and how you plan to use the financing.
B. Explain in short sentences each entry on the Application.

SUMMARY

Present two or three summary paragraphs.

Paragraph 1
Summarize the description of the business. Give the name and address of the business, the type of business, your product or service, the name(s) of the owner(s), the amount of money needed, and the purpose of the financing.

Paragraph 2
Summarize the marketing plan. Describe the potential market, and how you will attract customers. Describe your competition and your selling methods.

Paragraph 3
Summarize your organization plan in terms of management personnel and qualifications, and legal structures.

FINANCIAL DATA

Complete financial data should be included in this section. The following financial reports should be included:

1. Sources and application of financing (shows how much money you will need and where you propose to obtain it).

2. Capital equipment list (lists all equipment of value owned by the business that could be used as security for a loan).

3. Beginning balance sheet (shows the financial condition of the business as of the date stated: assets, liabilities, net worth).

4. Break-even analysis (shows the level of sales needed for the company to break even and cover expenses each month).

5. Annual projected income statement and explanatory notes (shows sales, cost of goods sold, gross profit, expenses, and net profit for each of the first three years).

6. Monthly projected income statements (shows estimated income for the first year by month and for the second and third year by quarter).

7. Monthly and quarterly cash flow projections and explanatory notes (shows the actual anticipated movement of cash within the business).

DEVELOPING A BUSINESS PLAN OUTLINE

THERE ARE FOUR MAJOR SECTIONS TO MOST OUTLINES.

1. DESCRIPTION OF THE BUSINESS
   Totally informs the reader to the business idea, by explaining the type, the product or service, and why it will be successful.

2. MARKETING PLAN
   How will you move your product or service to insure a profitable operation. Who are your potential customers and where do they come from, and what makes them require your product or service.

3. ORGANIZATIONAL PLAN
   This section will tell how you intend to manage and operate your business. It will tell about your personnel and their capabilities, rate of pay, training, supervision and other related items.

4. FINANCIAL PLAN
   How will you use the money you are requesting and how do you intend to pay it back. This section is usually filled with considerable support material.

HELPFUL HINTS WRITING A GOOD BUSINESS PLAN

1. Present complicated material in graph form.

2. Don't clutter your plan with large meaningless words.

3. Expect revisions.

4. Have a friend or business associate question you on the contents of your plan. Be prepared to answer all questions.

5. Present it in a professional manner. Get it typed by a qualified typists.

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HANDOUT

SIX REQUIREMENTS OF A GOOD RECORDSKEEPING SYSTEM

SIMPLE TO USE

EASY TO UNDERSTAND

RELIABLE

ACCURATE

CONSISTENT

PROVIDES INFORMATION ON A TIMELY BASIS

KISS SYSTEM: KEEP IT SIMPLE.

DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Three: "Financing Your Idea and Completing The Job Plan"

INTRODUCTION: In this session you as the instructor will focus on dealing with financial institutions. This is one of the greatest fears of people beginning their business. It is important to stress organization before approaching a lender, and that the lender is someone to work with regularly. Too often, entrepreneurs tend to avoid their lender at the first sign of some problem for fear of losing their lenders support.

OBJECTIVES: At the end of this session, participants will be able to:

A. Have a completed basic outline for a business plan (all four phases).
B. Identify key elements of good financial management.
C. Put together their own financial statement.
D. Develop a loan request outline.
E. Have actual lab experience in applying for a loan.
F. Have a list of resources for obtaining money.
G. Know what to expect at a lending institution and what will be expected of them.

MATERIALS	IDENTIFYING NUMBER
"Loan Package Requirements Outline"	IS# 016
"Financing Sources"	IS# 019
"Commercial Loan Application"	IS# 018
"A Financial Glossary"	IS# 017
"A Personal Financial Statement"	IS# 015
"Getting the Loan" Source: Milwaukee Journal/Feb. 1985	IS# 020

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AGENDA/LESSON

(5 Min.) 1. Give weekly review.

(20 Min.) 2. Review home assignment.

A. Ask if anyone encountered any problems.
B. Discuss the various bureacracy they may or may not have encountered.
C. Ask if anyone brought the forms with them. (If yes, discuss the proper way to fill them out.)
D. Ask how many received information on home occupations.
1. Relate this information.

(30 Min.) 3. Finish rough draft of their business plans (Sections 3 & 4).

A. Pass out Sections 3 and 4.

(20 Min.) 4. Pass out Personal Financial Statements #015.

A. Begin filling out forms.
B. Explain each area as you go through the form.
C. Demonstrate support material on the boards.
D. Let them see their net worth.

(15 Min.) 5. Break!

(10 Min.) 6. Handout the commercial loan request form #018.

A. Review this with them.
B. Make sure they keep this in their notebooks for reference.
C. It is similar to the net worth but requires more questions in greater depth, and more questions of a personal nature.

(10 Min.) 7. Handout the "Glossary" #017.

A. Go over the terms briefly.
B. Explain any that may need clarification.
C. Tell them to put in back of notebook for reference.

8. Some common terms (See management aid 1.001).

A. What are some forms of collateral (See management aid 1.001, pg. 4).

(25 Min.) 9. What are some financing sources for you?

A. Handout IS# 019.
B. Review in detail.

AGENDA/LESSON

(15 Min.) 10. What will the lending institution requirements be?

A. Handout loan package requirements - IS# 016.
B. Discuss the requirements.

(25 Min.) 11. Handout, "Getting the Loan: Banker Challenges Borrowers" - IS# 020.

A. Applying for a loan.
   1. Explain "Dress for Success".
   2. What information they will need to take along.
      a. How much money you are requesting?
      b. What you intend to use it for?
      c. How you intend to pay it back?
   3. What if they say no?
   4. Even worse, what if they say yes?
      a. Ask for help in regulating your spending.
      b. Keep good records.
      c. Keep in contact.

NOTE! It is imperative that you instill the idea in the class participants that the banker is their friend, not to be ignored after the financing is received. They should continue to send regular updates (or visits) showing business progress.

(5 Min.) 12. Give home assignment.

A. Review and work on business plan.

13. Self Evaluation.

A. Re-examine the class notes and make sure each subject was properly covered. Write down any questions for discussion at the following session.

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HANDOUT

LOAN PACKAGE REQUIREMENTS OUTLINE

1. Discussion of the Business

   - Name, address, and telephone number.
   - Type of business you are in now or what to expand or start.

2. Amount of Money You Need to Borrow

   - Include the total. Don't ask for a part of the total and think you can come back for more later. This indicates to the loan officer that you may be a poor planner.

3. How You Will Use the Money

   - Itemize each way in which the borrowed money will be used.
   - List the amount for each purpose.

4. Proposed Terms of the Loan

   - Include a payback schedule. Even though the lender has the final say in setting the terms of the loan, if you suggest terms, you will retain a negotiating position.

5. Financial Support Documents

   - Show where the money will come from to repay the loan through projected:

     -Profit & Loss Statement (for 1 year)
     -Cash Flow Statement (for 1 year)

6. Financial History of the Business

   - Include the past 3 years' financial statements:

     -Balance Sheet
     -Profit & Loss Statement

7. Personal Financial Statement of the Owner(s)

   - Personal Assets and Liabilities
   - Resume(s)

HANDOUT

FINANCING SOURCES FOR YOUR BUSINESS

I. EQUITY (Sell part of company)

A. Sources

Family, friends, and other non-professional investors
Venture capitalists
Small Business Investment Companies (SBICs and MESBICs)

II. PERSONAL LOANS

A. Banks

Unsecured loans (rare)
Loans secured by:
- real estate
- stocks and/or bonds

B. Finance Companies

Loans secured by:
- real estate
- personal assets

C. Credit Unions

Unsecured "signature" loans
Loans secured by:
- real estate (some Credit Unions)
- personal assets

D. Savings and Loan Associations

Unsecured loans (rare)
Loans secured by:
- real estate

E. Mortgage Brokers and Private Investors

Loans secured by:
-real estate

F. Life Insurance Companies

Policy loans (borrow against cash value)

IS#018

PERSONAL FINANCIAL STATEMENT

Please complete all schedules, writing "NONE" as applicable

DATE ..... 19 .....

NAME(S)		BIRTHDATE
RESIDENCE		SINCE PHONE
OCCUPATION/POSITION	SINCE	SOCIAL SECURITY NUMBER

To _____ For the purpose of procuring and maintaining credit from time to time in any form whatsoever with the above named bank for claims and demands against the undersigned, the undersigned submits the following which is guaranteed to be a true and accurate statement of financial condition on the date stated, and agrees that if any change occurs that materially reduces the means or ability of the undersigned to pay all claims or demands or materially weakens the financial condition as shown in this statement, the undersigned will at once notify the bank of such change, whether application for further credit is made or not

In the absence of such notice it is expressly agreed that the bank in granting or continuing credit may continue to rely on this statement as a true and accurate statement of the financial condition of the undersigned to have the same force and effect as if delivered as an original statement of financial condition at the time additional credit is requested or existing credit continued unless another statement in writing shall be substituted for this or this statement is recalled. In case of failure to notify the bank, or if this statement is false in any material respect, the bank may declare due and payable all obligations of the undersigned to the bank, a "user of credit" (non-credit reporting agency) under the Fair Credit Reporting Act, since April, 1971

ASSETS (WHAT I OWN)	DOLLARS	**LIABILITIES (WHAT I OWE)**	DOLLARS
Cash, chkg /savings accts , etc		"Short Term" Notes Due Banks (as listed)	
		(Secured)	
Govt Securities, Certificates of Deposit, etc			
Marketable Securities (see schedule II)		(Unsecured)	
CSV Life Ins (see schedule V)			
		Installment Accounts Payable (and charge accounts),	
Business Investments (see schedule III)		Mos Payment _____	
		Mos Payment _____	
		Mos Payment _____	
		Mos Payment _____	
		Real Estate Mortgages (see schedule III) _____	
Homestead (see schedule III)		Homestead	
Other Real Estate Owned (see schedule III)		Other Real Estate Mortgages (see schedule III)	
Partial Real Estate Equities (see schedule IV)			
Personal Property & Furniture		Other Liabilities	
Automobiles			
Other Assets			
		TOTAL LIABILITIES	
		Net Worth	
TOTAL ASSETS		**TOTAL**	

INCOME:	ANNUAL	**CONTINGENT LIABILITIES:**	AMOUNT
Salary		(Indicate Creditor's Name and Purpose)	
Part-time		Endorser _____	
INCOME FROM ALIMONY, CHILD SUPPORT OR		Co-Maker _____	
SEPARATE MAINTENANCE PAYMENTS – Need not be revealed if applicant(s) does not choose to rely on such income		Guarantor _____	
		On Leases and Contracts	
Other (itemize) _____		Legal Claims	
		Federal Income Tax	
		Other _____	
TOTAL		**TOTAL**	

Additional comments _____

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GENERAL INFORMATION

"All" Bank Relationships (Please include Type of Acct and Dept.)

Do you have a will? ☐ Yes ☐ No

Are all bad/doubtful assets excluded from statement?

Give details – to whom and address

Have you ever filed bankruptcy?

Have you ever had judgments entered or liens filed against you?

Give details

Previous Address

I. MARKETABLE SECURITIES

NO. OF SHARES OR FACE VALUE BONDS	NAME AND TYPE OF SECURITY	WHERE QUOTED	PRICE PER SHARE	TOTAL MARKET VALUE	OWNERSHIP JOINT INDIV	AMOUNT OF LOANS AND TO WHOM AND WHERE PLEDGED

II. OTHER BUSINESS INVESTMENTS (NON REAL ESTATE)

NAME AND LOCATION	TYPE	SOURCE OF VALUATION	PERCENTAGE OF OWNERSHIP	COST	PRESENT VALUE OF INVESTMENT

III. REAL ESTATE OWNED

PROPERTY DESCRIPTION AND IMPROVEMENTS WITH ADDRESS ETC	DATE ACQUIRED	TITLE IN NAME OF	COST	APPRAISED OR MARKET VALUE	MORTGAGE AMOUNT
*Homestead					

IV. PARTIAL REAL ESTATE VENTURE EQUITIES

PROPERTY NAME AND LOCATION TYPE OF INVESTMENT	PERCENT OF OWNERSHIP	DATE ACQUIRED	COST OF YOUR SHARE(S)	TOTAL PROPERTY VALUE	TOTAL EQUITY	VALUE OF YOUR SHARES

V. LIFE INSURANCE

NAME AND ADDRESS OF COMPANY	BENEFICIARY	FACE VALUE AMOUNT	TYPE TERM GROUP ETC (AND OWNER)	CASH SURREN DER VALUE	AMOUNT OF LOANS AND TO WHOM AND WHERE PLEDGED

CREDIT REFERENCES

NAME AND ADDRESS	COLLATERAL/PERSONNEL TO CONTACT

For the purpose of procuring credit from time to time from , the undersigned submit(s) the foregoing as a true, correct and complete statement of my (our) financial condition on this date. You are authorized to procure consumer reports from credit reporting agencies and to obtain personal and credit information from persons other than credit reporting agencies. The undersigned does (do) solemnly swear that I (we) have read and know the contents of the foregoing statement by me (us) subscribed and that said statement and all information contained hereinbefore is true and correct, to the best of my (our) knowledge and belief, and that any willful misrepresentation on this statement shall be subject to the remedies available under the U. S. Criminal Code.

Date Signed , 19

Subscribed and sworn to before me this day SIGNATURE

of , 19

Notary Public

My Commission expires , 19 SIGNATURE

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PERSONAL FINANCIAL
NET WORTH STATEMENT

FOR:_____ DATE_____

ASSETS

A. CURRENT MONETARY ASSETS
- Cash on Hand
- Checking Accounts
- Savings Accounts
- Other _____
- Totals 0.00

(Sub-Total) _____

B. CURRENT CASH VALUE OF LONG-TERM ASSETS
- Certificates of Deposit
- U.S. Savings Bonds
- Annuities
- Permanent Life Insurance Policies
- Retirement and Profit Sharing Funds
- Other (IRA's, Keoughs)

(Sub-Total) _____

C. CURRENT MARKET VALUE OF SECURITIES
- Stocks
- Options
- Bonds
- Mutual Funds
- Investment Clubs
- Other _____

(Sub-Total) _____

D. CURRENT MARKET VALUE OF DURABLE ASSETS
- Home, Condo, Townhouse
- Other Real (Land & Buildings)
- Furniture & Appliances
- Automobiles & Other
- Recreational Vehicles, Bicycles
- Clothing
- Hobby Equipment
- Furs, Jewelry, Tableware
- Antiques, Guns
- Stamp, Coin & Other Collections
- Other Tools, Lawnmowers, Etc.

(Sub-Total) _____

E. OTHER ASSETS
- Business
- Money Owed You by Others
- Tax Refunds Due
- Other

(Sub-Total) _____

TOTAL CURRENT ASSET VALUE $ _____

LIABILITIES

F. CURRENT BILLS DUE:
- CHARGE ACCOUNTS
- Credit Card Accounts
- Medical Bills
- Dental
- Rent
- Utilities - Phone Co., Gas, Electric
- Homeowners Insurance
- Auto Insurance
- Life Insurance
- Medical Insurance
- Tuition (Colleges, Parochial)
- Other _____

(Sub-Total) ____

G. TAXES TO DATE WHICH HAVE NOT BEEN WITHHELD
- Federal Income Taxes
- State and City Taxes
- Real Estate Taxes
- Personal Property Taxes
- Assessments
- Self-Employment Taxes
- Other Taxes

(Sub-Total) ____

H. LOANS TO BE REPAID
- Mortgage(s) on Home
- Mortgage(s) on Other Property
- Installment Loans on Auto
- Installment Loan for
  - Furniture & Appliances
  - Home Improvement
  - Education Loans
  - Life Insurance
  - Stock Purchase on Margins
  - Secondary Liability (Do not include other loans)

(Sub-Total) ____

I. MISCELLANEOUS

(Sub-Total) ____

TOTAL CURRENT LIABILITY VALUE $ _____

NET WORTH VALUE OF THIS DATE $

Getting the loan: Banker challenges borrowers

By John Cunniff
Associated Press

NEW YORK — Advice from a veteran banker: If your company is small- or medium-sized and aiming for growth, you must cultivate your banker as much if not more than your customers — even seek to be his partner.

Having become a banker during the Great Depression in 1934 and having survived and thrived by choosing his customers wisely, Theodore Silbert makes that suggestion and then almost challenges you to make it work.

"I'm a pessimist on credit," he says after five decades in the business. "I am a pessimist for having financed too many optimists." After a pause: "We believe half of what we see and nothing of what we hear."

Silbert, 80, heads Sterling National Bank & Trust Co., ranked by the Bank Administration Institute as the best performer among large banks — measured by such criteria as return on assets and equity and ratio of capital to assets.

Would you like to have his bank as your partner? Then listen.

"The fact of the matter is that fewer than 10 percent of small businesses come to a bank to raise capital adequately prepared.

"Bankers do not deal in concepts, they deal in facts, and therefore, do not have time to dig for such needed data which should be up front in any financial presentation."

Sound like an angry, negative man? If so, it doesn't fully jibe with the reality. Silbert is an optimist. He is quite positive about what he sees today.

Amid the confusion of banking deregulation, for example, and desspite the industry's bad debts and failures, Silbert remarks: "It is good, healthy, cathartic." Self-examination eventually plugs weaknesses, he says.

It helps borrowers, too, he says. That and preparation, he says, helps any smaller business executive get a loan. Knowledge does, too.

"Pick your commercial bank carefully. Does it deal mostly with larger corporations, or is it one that aims to serve smaller business? Does it have expertise in your field?"

The question, he suggests, is more important than you might realize. "If you pick the wrong bank and wind up being rejected it will make it that much harder for you to get a loan at a second bank."

Your failure, he reminds you, will be recorded in credit bureau files and make the next bank wary. "No bank likes to be approached as a second choice. Bankers are always afraid the first one knows something they don't."

Get a good accountant, Silbert says, and maybe have him come to the bank with you. But first, have him prepare a complete set of financial statements, as well as a business plan, contracts in force and a personal balance sheet.

"An accountant saves the banker time and work and shows the lending officer that he's dealing with an astute businessman — one who knows enough to surround himself with expertise."

Follow that advice on accountants and financial information, and you improve your chances of getting a loan by 75 percent, Silbert says.

Make an appointment. "Many executives don't seem to realize that you don't just walk in off the street and ask for $500,000. You wouldn't make a sales call without first making an appointment. Why do it with your banker?"

When you see the banker, be straightforward. "Be honest and ask him for the amount of money you really need. It's crucial that you treat your banker as intimately as your partner, for in reality he is."

And be ready for the next requirement. "Even the best credit prospects," says Silbert, "must be prepared to personally guarantee their loans."

Why not, he asks? Whether the business is a sole proprietorship, a partnership or a corporation, it involves a few key people at the top who should be willing to risk their personal futures on the business' success.

"If a businessman isn't willing to put his assets on the line, why should a bank?" he asks.

It's a question learned during the Great Depression and many recessions, during five decades of economic up cycles and down, and in dealing with countless borrowers, most of whom triumphed, but some of whom fell.

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DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Four: "Physically Setting Up The Business"

INTRODUCTION: So often, this part of entering a small business is left until last. This causes rush decisions with expensive results and little thought given to the actual aesthetics of the business. There are also areas in this session that are rarely covered in most entreprenural courses. If the instructor is not comfortable, it may be best to have some additional support from a local business person.

OBJECTIVES: At the end of this session, participants will be able to:

A. Be knowledgeable and comfortable in their decisions regarding location, interior arrangement, phone placement, etc.
B. Focus on signage, printing of business forms, timekeeping and security.
C. Set up their hours.
D. Understand Visa/Mastercard/American Express.
E. Anticipate donations, contributions, church advertisers, and high school yearbooks.
F. Know the basic professional and trade organizations that could affect their business.
G. Have a basic understanding of the Chamber of Commerce.
H. Develop a last minute checklist for going into business.

MATERIALS	IDENTIFYING NUMBER
Federal Regulatory List	IS# 023
"Rental and Lease Checklist"	IS# 022

AGENDA/LESSON

(115 Min.) 1. Choosing a proper location.

A. Choosing a proper building.
   1. Does building fit nature or function of business.
      a. Retail: needs adequate selling and storage space, plus easy customer access.
      b. Service: needs easy customer access and possibly delivery needs.
      c. Manufacturing: must be able to receive raw supplies and ship finished goods.
      d. Wholesalers: most concerned with warehouse and storage space.
   2. Safety - yours and your employee.
      a. Adequacy of fire and burglar alarms.
      b. Is equipment falling apart?
   3. Expansion
      a. Will it be possible in two to three years?
      b. Will you have to relocate due to poor planning.
   4. Physical Appearance (Image)
      a. Storefront determines first impression.
      b. First step inside second impression.

B. Equipment
   1. Heating and/or air conditioning adequate.
   2. Plumbing.
   3. Lighting (both functional and decorative)
   4. Color (does it fit your business?)
      a. Retailers need color most of all.
      b. Manufacturing needs color to break-up routine work.
   5. Leasing vs. buying.
      a. Every business has unique needs.
      i.e. Ownership rights.
   6. Advantages of Leasing
      a. Initial capital outlay is less than if the equipment is purchased outright.
      b. Maintenance is usually handled by the leasing agent.
      c. Leasing is tax deductible expense.
      d. When leasing contract is up you have the option to renew equipment or begin using newer.
   7. Advantages of Buying
      a. Tax credits may allow business to take a direct deduction.
      b. Rapid depreciation schedules can often be used in the early years.

C. Physical Layout
   1. What arrangement will promote the most efficient use of the equipment.

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AGENDA/LESSON

2. Where shall I locate my materials in relation to my display?
3. Retail:
   a. Space near the entrance has the greatest potential for sales.
   b. Group similar lines together.
      i.e. Golf balls, clubs, T's, etc.
   c. Rotate stock.
4. Service:
   a. Customer convenience.
      1) Parking close by.
      2) Cleanliness.
5. Wholesaling:
   a. Based on storage and quick retrieval for order filling.
   b. Product accessibility.
6. Manufacturing:
   a. Must be set up to receive raw goods, and move them effectively through each stage of production.

D. Criteria needed to create an effective "Business Image through Physical Appearance".
(This should be done during the business plan.)
1. Decide what type of facility is best going to serve your needs.
2. Decide what type of facility will allow you to maximize on your resources (i.e. start-up capital).
   See part X for in-depth report.
3. Do your marketing considerations.
   a. Identify who you are.
   b. Identify who your customers are.
   c. Identify what image will represent you, best to the customers.
      Examples:
      1) High priced trendy people expect certain environment.
      2) Department stores are traditional (although each department is created to give an illusion).
         i.e. children, tools, fashions, etc.
      3) Discount houses don't want a flashy appearance. Customers think they're paying for the flash.

2. Marketing Research Questions

A. What is the geographical area of your market?
B. What is the population in that area?
C. Average income? Average age?
D. Why do they shop where they do?
   1. Price.
   2. Convenience.
   3. Service.
E. When are they paid?

AGENDA/LESSON

3. Signage

   A. First check local zoning and codes.
   B. Get permit information.
   C. Design rough draft.
   D. Shop around and learn.
      1. Sizes, colors, materials, guarantees, installation, etc.

4. Competition

5. Traffic

6. Accessibility to Vendors

7. Lease Requirements
   NOTE! Lease requirements will take some additional conversation.

8. Customer Parking

(15 Min.) 9. Break!

(20 Min.) 10. Discuss exterior and interior aesthetics.

   A. Signage
   B. Color
   C. Windows for Display
   D. Entrance
   E. Cash Register Placement
   F. Product Display
      1. High profit items eye level.
      2. Rotation of stock.
      3. Inventory on hand.
   G. Cleanliness
   H. Overall Image

(15 Min.) 11. Choosing your hours.
   A. Customer convenience.
   B. Be flexible.
   C. Displaying your hours.

AGENDA/LESSON

(15 Min.) 12. What organizations should I join?

A. Chamber of Commerce
B. Local Service Organizations (Kiwanis, Rotary, Jaycees, Lions, etc.)
C. Political Groups
   1. Liabilities of belonging.
   2. Assets of belonging.
D. Business Networks
E. Local Boards (Transit Commission, Red Cross, etc.)
   1. Can you afford the time?

13. Give home assignment.

A. None.

14. Self Evaluation.

A. Re-examine the class notes and make sure each subject was properly covered. Write down any questions for discussion at the following session.

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IS# 023
HANDOUT

DEPARTMENTS, AGENCIES, AND OFFICES OF THE FEDERAL GOVERNMENT THAT AFFECT YOUR BUSINESS

Federal Information Center: (202) 755-8660

Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Includes:
- Employment Standards Administration
- Office of Workers' Compensation Programs
- Wage and Hour Division
- Labor-Management Services Administration
- Occupational Safety and Health Administration

- Bureau of Labor Statistics
  600 E Street, N.W.
  Washington, D.C. 20212

Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Department of Health & Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Includes:
- Social Security Administration

- U.S. Office of Consumer Affairs
  300 Seventh and D Streets, N.W.
  Washington, D.C. 20201

- National Institute for Occupational Safety and Health
- Food and Drug Administration
  Parklawn Building
  5600 Fishers Lane
  Rockville, Maryland 20857

Department of Commerce
14th St. & Constitution Ave., N.W.
Washington, D.C. 20230

Includes:
- Bureau of the Census
- Economic Development Admin.
- Office of Business Loans

- Minority Bus. Devel. Agency
  FOB 3
  Suitland, Maryland 20233

Department of Energy
1000 Independence Ave., S.W.
Washington, D.C. 20585

Includes:
- Federal Energy Regulatory Com.

Environmental Protection Agency
401 M St., S.W.
Washington, D.C. 20460

Equal Employment Opportunity Com.
2401 E St., N.W.
Washington, D.C. 20506

Consumer Product Safety Commission
1111 18th St., N.W.
Washington, D.C. 20207

Civil Aeronautics Board
1825 Connecticut Ave., N.W.
Washington, D.C. 20428

Commission on Civil Rights
1121 Vermont Ave., S.W.
Washington, D.C. 20425

Federal Communications Commission
1919 M St., N.W.
Washington, D.C. 20554

Federal Trade Commission
6th & Pennsylvania Ave., N.W.
Washington, D.C. 20580

Interstate Commerce Commission
12th & Constitution Ave., N.W.
Washington, D.C. 20423

Small Business Administration
1441 L St., N.W.
Washington, D.C. 20416

Registrar of Copyrights
Library of Congress
Washington, D.C. 20559

Commissioner of Patents
Washington, D.C. 20231

Internal Revenue Service
Department of the Treasury
1111 Constitution Ave., N.W.
Washington, D.C. 20224

HANDOUT

RENTAL/LEASE/INSURANCE CHECKLIST

___ Are quarters adequate for your usage?

___ What repairs and/or improvements are essential?

___ What will they cost? Do you have to pay for all of them? Can you get the landlord to share?

___ Is the location appropriate for your type of business?

___ How near (or far) is the closest direct competitor?

___ Are the terms of the lease favorable or fair to you?

___ Can you afford the rental?

___ Have you room for expansion if necessary?

___ Have you the right to renew the lease? On what terms?

___ Are there escalator clauses in the lease that can substantially increase your rental?

___ Is the landlord responsible for structural violations?

___ Can you obtain a "Certificate of Occupancy" for your type of operation? (Zoning)

___ What licenses do you require to operate on these premises?

___ What indemnification can you obtain if condemnation proceedings are instituted on the property? From whom?

___ Does your insurance cover: fire and/or water damage on (a) contents; (b) fixtures; (c) equipment? Are you covered for vandalism and/or malicious mischief; business interruption; storm; flood; hurricane; plate glass; theft, unlawful entry; hold-up; public liability; product liability; goods in transit or in possession of others; delivery equipment; car; workmen's compensation?

___ Do you <u>need</u> all of the types of insurance above, given the cost of the premium(s) and your type of business?

___ Have you checked the net premium against competition?

___ How sound is your insurance carrier?

___ Will the insurance agent or agency who sells you the policy handle your adjustment claims? If not, <u>who will</u>?

___ Can you break up the premium into several payments?

IMPORTANT NOTE: Have your lease and insurance policy checked by a competent commercial lawyer.

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DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Five: "Advertising"

OBJECTIVE: At the end of this session, participants will be able to:
A. Define advertising.
B. Understand what advertising can do for their business.
C. Have a basic understanding of the different types of advertising.
D. Develop an outline for their advertising budget.
E. Measure the results of their advertising efforts.
F. Understand what an advertising agency does.

MATERIALS	IDENTIFYING NUMBER
SBA Handout, "Do You Know the Results of Your Advertising"	IS# SMA 169
SBA Handout, "Advertising in a Retail Store"	IS# SMA 4.015
SBA Handout, "Plan Your Advertising Budget"	IS# SMA 164
SBA Handout, "Specialty Advertising in Small Business"	IS# SMA 4.021
Skoglund Outdoor "Rates & Coverage"	IS# 029
WEAQ Radio "Rates & Coverage"	IS# 028
WEAQ/WIAL "Broadcasting Script"	IS# 027
"Television Story Board" District One Media Assistant Program	IS# 026
"Yellow Page Advertising"	IS# 061
Daily Feedback	Form F
"Guidelines for Working with an Agency"	IS# 024
"Sources of Help for Preparing Ads"	IS# 025
SBA Handout, "Advertising: Definitions & Goals"	IS# 062
"Business Opportunities Page" Advertising "Business Opportunities Page" (Overlays)	IS# 068

AGENDA/LESSON

(5 Min.) 1. Define advertising. (Write definition on board.)

A. Advertising is a way to inform, to persuade, to remind.

(10 Min.) 2. What does it do?

A. Builds customers.
B. Holds existing accounts.
C. Builds confidence.
D. Speeds turnover of goods/services.
E. Ensures product/service identification.

(15 Min.) 3. What media is available? (Student Participation)
Ask class to aid in adding to the list from their own experience.

A. Radio
B. Television
C. Newspaper
D. Billboards
E. Word of Mouth
F. Signs/Vehicle Advertising
G. Mail Order
H. Trade Shows
I. Specialty Advertising
J. Invoices, Memos, Enc.
K. Terminal
L. Telephone Book
M. Etc.

(5 Min.) 4. Co-op Advertising

A. Describe and give examples.

(15 Min.) 5. Where is the Free Advertising?
NOTE! This may vary from city to city.

A. Local business page in the local newspaper.
B. Bottom Line (A local business newsletter.)
C. Stories and articles in Shoppers.
D. Publish your knowledge.
E. Join service organizations.
F. Welcome Wagon
G. Community Newspapers
H. Business Beat (Local television business spot.)
I. Community Calendar (Local television Public Service spot.)
J. Etc.

AGENDA/LESSON

(20 Min.) 6. Measuring your advertising.

A. Measurement Tool: comparing sales with advertising.
There are two types of advertising.
1. Immediate
a. Causes them to buy today!
2. Attitude
a. Image building.

B. Rules to follow when advertising:
1. Advertising - product or service on its own merits.
i.e. If no good/no buy/no matter how much advertising.
2. Know exactly what goal your ad is to achieve.
i.e. Don't try to cover it all. Be brief.
3. Plan ad around one message.
i.e. Don't try to do too much.
4. Identify your business clearly.
At least - name, address, phone, location.
5. Use coupons as often as possible.
Coupons give an immediate sales check.
6. Put your main message in the first sentence if possible.

(15 Min.) 7. Break!

(40 Min.) 8. Testing or Measuring Your Ad!

A. Coupons
1. Regular
2. Coded - one in Leader, one in Shopper, etc.

B. Requests by phone or letter referring to an ad.
This often takes a long time.

C. Split Runs (Territory Changes).
1. Coupon A - part of run.
2. Coupon B - second part.

D. Check volume of business traffic.

(5 Min.) 9. Attitude Testing
Make comparisons weekly.

A. Begin four weeks prior to ad, so you have a solid base of figures to work from.

B. Watch for economic factors - strikes, competitive ads, depressed market. These can alter results.

AGENDA/LESSON

(30 Min.) 10. Designing your own ad. (Student Participation)

A. Write copy for thirty second radio ad.
B. Design patron ad for your local church bulletin or local year book.
C. Design a standard newspaper ad (any size).
D. Discuss the ads.

(10 Min.) 11. Advertising Agencies

A. Definition.
B. How do they charge?
C. Where do I find them.
D. Handout IS# 024.

(5 Min.) 12. What if I can't afford advertising help.

A. You can get help from:
1. Telephone Books
2. Newspapers
3. Advertising Students (Not art students.)

(5 Min.) 13. Home Assignment (Student Participation)

A. Look for some examples of good advertising that might be similiar to your business. Cut them out and save in your notebook.

14. Self Evaluation.

A. Re-examine the class notes and make sure each subject was properly covered. Write down any questions for discussion at the following session.

sma 169

Small Marketers Aid
U S Small Business Administration

Do You Know the Results of Your Advertising?

By **Elizabeth M. Sorbet**
Professor of Marketing
Nicholls State University
Thibodaux, Louisiana

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First Printed
August 1979

Summary

Because your budget is limited, you, as the owner-manager of a small retail or service firm, must see that your advertising does the job you want it to. Measuring the results on a continuing basis can help you see that your ads keep your business's name before the public and contribute to increasing sales.

Planning is important. Before you can evaluate results, you must decide what purpose your ads should accomplish. This Aid **gives pointers on planning ads and discusses several ways you can compare advertising and sales.**

Advertising is necessary today. Whether you have a small business or a large one, you must tell groups of people about who you are, what you sell, and where you are located. You must tell them when they wish to hear or read about such things. So you must place ads in newspapers, on radio, TV, and on outdoor posters, or send out direct mail pieces.

As a small business owner-manager, you know the money that you spend on advertising must return enough sales and profits in added business to justify the cost of the advertising. In small firms, neither time nor money is sufficient to engage in complicated ad measurement methods. Even so, you can use certain rule-of-thumb devices to get a good idea about the results of your advertising.

What Results Do You Expect?

Essentially, measuring results means comparing sales with advertising. In order to do it you have to start early in the process—before you even make up the advertisement. The question to answer is: What do you expect the advertising to do for your store?

Immediate response advertising is designed to cause the potential customer to buy a particular product from you within a short time—today, tomorrow, the weekend, or next week. An example of such decision-triggering ads is one that promotes regular price merchandise with immediate appeal. Other examples are ads which use price appeals in combination with clearance sales, special purchases, seasonal items (for example, white sales, Easter sales, etc.), and "family of items" purchases.

Such advertising should be checked for results daily or at the end of 1 week from appearance. Because all advertising has some carry-over effect, it is a good idea to check also at the end of 2 weeks from advertising runs, 3 weeks from runs, and so on to insure that no opportunity for using profit-making messages is lost.

Attitude advertising is the type you use to keep your store's name and merchandise before the public. Some people think of this type as "image-building" advertising. With it, you remind people week after week about your regular merchandise or services or tell them about new or special services or policies. Such advertising should create in the minds of your customers the attitude you want them to have about your store, its merchandise, its services, and its policies.

To some degree, all advertising should be attitude advertising.

It is your reputation builder.

Attitude (or image-building) advertising is harder to measure than immediate response advertising because you cannot always attribute a specific sale to it. Its sales are usually created long after the ad has appeared. However, you should keep in mind that there is a lead time relationship in such advertising. For example, an ad or a series of ads that announces you have the exclusive franchise for a particular brand probably starts to pay off when you begin to get customers who want that brand only and ask no questions about competing brands.

In short, attitude advertising messages linger in the minds of those who have some contact with the ad. These messages sooner or later are acted upon by people when they decide that they will make a certain purchase.

Because the purpose of attitude advertising is spread out over an extended period of time, the measurement of results can be more leisurely. Some attitude advertising—such as a series of ads about the brands which the store carries—can be measured at the end of 1 month from the appearance of the ads or at the end of a campaign.

Planning for Results

Whether you are trying to measure immediate response or attitude advertising, your success will depend on how well the ads have been planned. The trick is to work out points against which you can check after customers have seen or heard the advertisement.

Certain things are basic to planning advertisements whose results can be measured. First of all, **advertise products or services that have merit in themselves**. Unless a product or service is good, few customers will make repeat purchases no matter how much advertising the store does.

Many people will not make an initial purchase of a shoddy item because of doubt or unfavorable word-of-mouth publicity. The ad that successfully sells inferior merchandise usually loses customers in the long run.

Small marketers, as a rule, **should treat their messages seriously**. Humor is risky as well as difficult to write. Be on the safe side and tell people the facts about your merchandise and services.

Another basic element in planning advertisements is to **know exactly what you wish a particular ad to accomplish**. In an immediate response ad, you want customers to come in and buy a certain item or items in the next several days. In attitude advertising, you decide what attitude you are trying to create and plan each individual ad to that end.

Plan the ad around one idea. Each ad should have a single message. If the message needs reinforcing with other ideas, keep them in the background. If you have several important things to say, use a different ad for each one and run the ads on succeeding days or weeks.

The pointers which follow are designed to help you plan ads so they will make your store stand out consistently when people read or hear about it.

Identify your store fully and clearly. Make sure your radio and television ads identify your sponsorship as fully and frequently as possible without interfering with the message. Logotypes and signatures in visual ads should be clean-lined, uncluttered, and prominently displayed. Give your address and telephone number. It's possible to use a musical or sound effect signature identified with your store to create a "logo" on radio, too.

Pick illustrations which are similar in character. Graphics—that is, drawings, photos, borders, and layouts—that are similar in character help

people to recognize your advertising immediately

Pick one audio format or type face and stick to it. Using the same type face or the same audio format for radio or television helps people to recognize your ads quickly. Using the same format or kind of type and illustrations also allows you to concentrate on the message when checking ad response changes.

Make copy easy to understand. Printed messages should be broken up with white space to allow the reader to see the lines quickly.

Broadcast messages should be written conversationally. Remember, these messages are human beings talking to human beings.

Tell your listeners how what you're advertising will help them. Consumers buy benefits, not products.

Get the main message in the first sentence, if you can. Sentences should be short. Be direct. Go straight to the point. Get the audiences' attention in the first five seconds of the radio or TV commercial.

Try out your script on somebody else or read it into a tape recorder. When you play the tape back, you'll easily spot phrases that are hard to understand (or believe!). Your ears are better than your eyes for judging broadcast ads.

Use coupons for direct mail advertising response as often as possible. Coupons give an immediate sales check. Key the coupon in some manner so that you can measure the response easily. In your radio ads, you can have listeners create their own "coupons." One fast food chain asked listeners to hand draw a coupon and bring it in for a free hamburger.

Tests for Immediate Response Ads

In weighing the results of your **immediate** response advertisements the following devices should be helpful:

Coupons brought in. Usually these coupons represent sales of the product. When the coupons represent requests for additional information or contact with a salesperson, were enough leads obtained to pay for the ad? If the coupon is dated, you can determine the number of returns for the first, second, and third weeks.

Requests by phone or letter referring to the ad. A "hidden offer" can cause people to call or write. Include—for example, in the middle of an ad—a statement that on request the product or additional information will be supplied. Results should be checked over a 1-week through 6-months or 12-months period because this type ad may have considerable carry-over effect.

Testing ads. Prepare two ads (different in some way you'd like to test or set for different stations or broadcast times) and run them on the same day. Identify the ads—in the message or with a coded coupon—so you can tell them apart. Ask customers to bring in the coupon or to use a special phrase. Run two broadcast ads at different times or on different stations on the same day with different "discount phrases." Ask a newspaper to give you a "split run"—that is, to print "ad A" in part of its press run and "ad B" in the rest of the run. Count the responses to each ad.

Sales made of particular item. If the ad is on a bargain or limited-time offer, you can consider that sales at the end of 1 week, 2 weeks, 3 weeks, and 4 weeks came from the ad. You may need to make a judgment as to how many sales came from in-store display and personal selling.

Check store traffic. An important function of advertising is to build store traffic which results in purchases of items that are not advertised. Pilot studies show, for example, that many customers who are brought to the store by an ad for a blouse also bought a handbag. Some bought the

bag in addition to the blouse, others instead of the blouse.

You may be able to use a local college or high school distributive education class to check store traffic. Class members could interview customers as they leave the store to determine: **(1)** which advertised items they bought, **(2)** what other items they bought, and **(3)** what they shopped for but did not buy.

Testing Attitude Advertising

When advertising is spread out over a selling season or several seasons, part of the measurement job is keeping records. Your aim is comparing records of ads and sales for extended time.

An easy way to set up a file is by marking the date of the run on tear sheets of newspaper ads (many radio stations now provide "radio tear sheets", too), log reports of radio and television ads, and copies of direct mail ads. The file may be broken down into monthly, quarterly, or semiannual blocks. By recording the sales of the advertised items on each ad or log, you can make comparisons.

In attitude (or image-building) advertising, the individual ads are building blocks, so to speak, which make up your advertising over a selling season. The problem is trying to measure each ad and the effects of all of the ads taken together.

One approach is making your comparisons on a weekly basis. If you run an ad, for example, each week, at the end of the **first week** after the ad appears or is broadcast, compare that week's sales with sales for the same week a year ago. At the end of the **second week**, compare your sales with those of the end of the first week as well as year-ago figures.

At the end of the **third week**, 1 month, 3 months, 6 months, and 12 months from the running of the ad, repeat the process even though additional ads may have appeared or been aired in the meantime. For each of these ads, you will also make the same type of comparisons. You will, of course, be measuring the "momentum" of all of your ads as well as the results of a single ad.

After a time, you probably will be able to estimate how much of the results are due to the individual ad and how much to the momentum of all of your advertising. You may then make changes in specific details of the ad to increase response.

When comparing sales increases over some preceding period, allowances must be made for situations that are not normal. For example, your experience may be that rain on the day an ad appears cuts its pulling power by 50 percent. Similarly, advertising response will be affected by the fact that your customers work in a factory that is out on strike.

Some of the techniques which you can use for keeping on top of and improving attitude advertising follow.

Repeat an ad. If response to an ad is good, run it—without change—two or three times and check the responses of each appearance or broadcast against previous ones.

Keep repeating the process. Much advertising loses effectiveness because the advertiser doesn't keep reminding people. Repetition helps increase knowledge of, and interest in, the product. You can soon estimate how often you should repeat each ad—exactly or with minor changes.

Analyze all ads in relation to response. Divide ads into at least two classes: high-response ads and low-response ads. Then look for differences between the two classes.

The time the ad was broadcast or run may be responsible for a particular response level. Other factors, however, may be just as influential as time or even more so, though in radio time is often crucial.

Consider the message and how well it was expressed. Did the copy stick to the theme or did it wander? If you used slogans, did they help make the point? For print, consider the effects of illustrations, type size, color, and ad location. In broadcast, consider whether or not the voice of the person doing the ad or music used may have had an effect.

Emphasis on brand names should also be checked. Price figures should be analyzed. If price lines are involved either in the ad or in the merchandise line of which the advertised product is a part, you should consider them also.

Check the effect of the length of broadcast ads. Did you get the best results with 10-second, 30-second, or 60-second announcements?

Check the size of print ads. Size often has a bearing on response. As a general rule, the larger the ad, the larger the response.

Try to see a pattern of dominance. Your analysis of high-and-low response ads, may show that certain details make the difference between a high or low response. Try to find the combinations which work best for your firm and merchandise.

Note changes occurring over time. A small retailer should never take a winning combination for granted. There is no single formula that will insure high response ads every time. Advertising changes. Therefore, you should watch the ads of others to see what changes are occurring. Continue to analyze your own ads, make small changes occasionally, and note any variations in response.

Listen to what people say about your ads. In doing so, try to discover the mental framework within which any comment about your ad was made. Then try to find points which reinforce believability and a feeling that your product fulfills some wish or need.

However, you should not be misled by what people say. An ad can cause a great deal of comment and bring in practically no sales. An ad may be so beautiful or clever that as far as the customer is concerned the *sales* message is lost.

When You Use Several Media

When your ads appear simultaneously in different media—such as the newspaper, on radio and television, in direct mail pieces, and as handbills—you should try to evaluate the relative effectiveness of each. You can check one printed medium against the other by using companion (the same or almost identical) ads in the newspaper, direct mail, and handbills.

You can make the job of analyzing and comparing results from among the media easier by varying your copy—the message. Your ad copy thus, becomes the means of identifying your ad response.

You can check broadcast media—radio and TV—by slanting your message. Suppose, for example, that you advertise an item at 20 percent reduction. Your radio or TV ad might say something like this: "Come in and tell us you want this product at 20 percent off."

You can compare these responses with results from your "20 percent off" newspaper ad. Require the customer to bring in the newspaper ad—or a coupon from it.

Some of the ways to vary the copy are: a combination of the brand name with a word or some words indicating the product type; tone of voice; speed of delivery; picture variations; size variations; and color variations. Check your printed ads against each other as well as against

your radio and TV ads.

Be careful that the copy variation is not so great that a different impression is received from each medium. Here you would, in effect, have two different ads.

Short-Term and Long-Term Effects of Advertising

Even one ad or commercial or highway poster can result in sales for one product and attention for your business. You should remember, however, that a series of ads that are related will result in sales over a longer period of time than the campaign lasts. Your business name will become very much better known. Your expenditures for advertising, therefore, should be scheduled over a period of three, six, or twelve months. Avoid deciding to advertise this week and putting off the decision about when you will next advertise.

Where to Get Help

Most newspaper offices have at least one person who can help you plan the overall layout, design of your ad, provide illustrations for your ad, and make suggestions about the copy that will be contained in the ad. Radio stations will frequently help write copy and provide a music background for the commercial. Television stations may produce your commercial, usually for a fee. Outdoor advertising agencies may paint or design a poster or bulletin for you, again at a price. Specialty advertising firms may recommend gift items, some at very low cost.

Many small towns, as well as all cities, will have one or more advertising agencies that are organized to create and place retail advertising or that of small advertisers. These agencies will probably charge you a specific fee, as local media may not pay an ad agency fee.

If a college, university, or other school is near you, you might find that students will be happy to create your ads and even plan your campaign.

If there is a local American Advertising Federation Ad Club where you live or in a nearby city, you should consider becoming a member. Speeches and presentations made at the meetings of these clubs may provide ideas that you can use.

Government Regulations

Advertising is now being more closely regulated by the U.S., State, and local governments than ever before. You should make it a practice to search for news items about such regulations that apply to your business. Here, too the local Ad Club might be a source of ideas and information.

Consumer Groups

Most cities and towns now have organizations that are entirely or in part concerned with the consumer movement. Know about such groups in your community and if possible, work with them in relation to the words, illustrations, and even forms of your advertising. The opinions of the members of these groups can determine the success or failure of both your advertising and your business.

For Further Information

Readers who wish to explore this subject further may be interested in the references listed below. The list is necessarily brief. No slight is intended to authors whose works are not mentioned. (Write for prices.)

Advertising by James S. Norris. 1977. Reston Publishing Company, 11480 Sunset Hills Road, Reston, VA 22090.

Advertising Procedure by Otto Kleppner and Norman Govini. 7th ed. 1979. Prentice-Hall, Inc., 301 Sylvan Avenue, Englewood Cliffs, NJ 07632.

How to Get Big Results from a Small Advertising Budget by Cynthia S. Smith. 1973. Hawthorn Books, Inc., 260 Madison Avenue, New York, NY 10016.

The Marketing Communications Process by M. Wayne De Lozier. 1976. McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020.

The following free Small Business Administration publications are available from SBA, P.O. Box 15434, Fort Worth, TX 76119:

SMA 156 — Marketing Checklist for Small Retailers
SMA 160 — Advertising Guidelines for Small Firms
SMA 163 — Public Relations for Small Business
SMA 164 — Plan Your Advertising Budget
SBB 20 — Advertising—Retail Store

The following booklets may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. (For current prices and a mail order form, write SBA, P.O. Box 15434, Fort Worth, TX 76119 and ask for **SBA-115B, *For-Sale Booklets*.**)

SBMS 33 — Small Store Planning for Growth
SBMS 34 — Selecting Advertising Media

Copies of this Aid are available free from SBA, P.O. Box 15434, Fort Worth, TX 76119. Aids may be condensed or reproduced. They may not be altered to imply approval by SBA of any private organization, product, or service. If material is reused, credit to SBA will be appreciated. Use of official mailing indicia to avoid postage is prohibited by law. Use of funds for printing this publication approved by the Office of Management and Budget, March 20, 1975.

U.S. Small Business Administration
Management Assistance
Support Services

Management Aids
Number 4.015

SBA

Advertising Guidelines for Small Retail Firms

By Ovid Riso
Formerly Vice-President
Philco Ford International

BEST COPY AVAILABLE

Summary

Advertising is not merely an element of business expense, it is an investment in building your sales. The future growth of your business will be influenced by your ability to plan and execute an effective advertising program. This Aid offers guidelines to help you plan your advertising budget, select media, use cooperative advertising, and prepare the ad itself.

CUSTOMERS WANTED, NO EXPERIENCE NECESSARY was the sign one hobby and toy retailer displayed across an entire window. Perhaps the owner thought this was funny, but valuable advertising space was being wasted.

Windows are valuable attention-getters. This retailer should have featured products, prices, or "specials" instead. The retailer not only missed the opportunity to advertise products, but also missed the chance to project the store image to the passing public.

In retail merchandising, advertising begins with the store and its windows. Rental costs depends on location and customer traffic so window displays have special values. One study by a trade publication allocated as much as 40 pecent of the store's rent to its window space. The giant stores in New York, Chicago, or Los Angeles fully capitalize their window values, but smaller stores often waste them.

Start With the Sales Budget

The sales budget is the foundation of all business. It affects profits and costs, including the advertising investment. In preparing the advertising budget, first decide what percentage of your anticipated sales volume you will allocate to advertising. This pecentage will vary according to the condition of the business, local competition, and the nature of your products. Trade journals offer comparative percentage statistics on an industry-wide basis. By multiplying your total anticipated sales by the percentage, you will get the total amount of advertising money you can budget for the year.

Then, many good owners-managers find it convenient to base their advertising on their planned sales for each month. For example, if March contributes 8 percent of the year's sales, they plan to spend 8 percent of the advertising budget for that month. This way you can base your advertising for each month on the planned sales for that particular month.

One exception to this approach is the Christmas season which contributes as high as 25 percent of yearly sales for some businesses. It would probably be unwise to spend that much of your total budget for that period. However, you can build some flexibility into your budget if you plan in six-month blocks. This will allow you to spend part of your Christmas advertising money in October and November in preparation for Christmas. Of course, this will vary from business to business.

Finally, you should allocate any money you will need to accomplish a specific task you have planned. Examples of this task approach are: starting a new business with the announcement of the "grand opening," introducing a new product, or conducting a special promotion. This allocation is simply added to the regular budget.

Advertising is a *completely controllable expense.* The function of the budget is to control advertising expenditures. This can be done through a monthly tabulation, as shown in the following chart. With this record, the danger signals flash when the budget is over-extended.

The accounts listed in the chart are not comprehensive, they serve only as examples. For instance, some companies include publicity in the advertising budget, others treat it separately.

ADVERTISING BUDGET

Account	Month		Year to Date	
	Budget	Actual	Budget	Actual
Media				
Newspapers				
Radio				
TV				
Literature				
Other				
Promotions				
Exhibits				
Displays				
Contests				
Advertising Expense				
Salaries				
Supplies				
Stationery				
Travel				
Postage				
Subscriptions				
Entertainment				
Dues				
Totals				

Profile Yourself and Your Customers

The next step in your advertising plan is to take a good look at both yourself and your customers. You will need the answers to such questions as:

What business am I in?

What quality of merchandise do I sell?

What kind of image do I want to project?

How do I compare with competition?

What customers services do I offer?

Who are my customers?

What are their income levels?

Why do they buy from me?

By profiling yourself and your customers in this way, you will be better able to direct your sales message to those most likely to buy and thus make more effective use of your advertising dollar. For example, if you own a clothing store and are planning a sale on jeans and t-shirts, a message on a local popular radio station might be a better choice than a more distant classical music station. You might also specify a time for broadcast that is after school hours if your anticipated customers are teenagers.

Advertising Media

When you know what you want to advertise and whom you want to reach with your message, you must select the advertising medium to reach them most effectively. Because of the local nature of their operation, most retailers find newspapers, radio, and direct mail the most commonly available choices. However, to reach wider markets, you may consider other media such as magazines, television, billboards, and transportation signs.

Newspapers. Some retailers consider them a primary advertising medium for several reasons. They offer the advantages of local coverage and precise timing. In addition, results may be measured in terms of specifically-featured products or prices. Newspapers also lend themselves to promotional tie-ins such as coupon use or contests. Rates are related to circulation and vary according to the number of newspaper "lines" contracted over a period of time.

To compare the rates of newspapers with different circulation figures and different costs, a formula for establishing a common basis has been developed, known as the milline rate. The formula is:

$$\frac{\text{Line rate} \times 1{,}000{,}000}{\text{Actual circulation}} = \text{Milline rate}$$

If rates are quoted in column-inches, they may be used in the formula instead of line rates.

There is some difference in thought about the best technique for newspaper advertising. Some owner-managers prefer four quarter-page ads to one full page. Others think it better to have fairly large-sized ads and run them so they really make an impact. Others successfully use the skip method where they run several ads to make an impact and then skip a period of time with no advertising.

In some areas, "patterns" may emerge and must also be considered. For example, a retailer may find that the best results are obtained when ads are run just before pay day of a large local industry.

If the newspapers you deal with offer special locations, specify the position you want. When possible, aim for upper locations.

Radio. Radio follows the listener everywhere, in the home and on the highway. It is characterized by immediacy in scheduling, lower rates compared with other media, and little or no production costs.

Basic rates depend on the number of commercials contracted for, the time periods specified, and whether the station broadcasts on AM or FM frequencies. Some stations offer both AM and FM coverage. Usually FM broadcasting is more localized and offers wider tonal range, due to highly technical reasons.

In negotiating a contract, some stations may propose a "barter" arrangement in which part of the cost, sometimes as much as 50 percent, may be paid in merchandise. This is especially true where the retailer can provide material needed by the station in its own operation. One station offered such a deal to an office supply retailer. Another example concerned a printing establishment.

It is good business practice to:

1. Be sure that the commercials are broadcast at the times specified;

2. Instruct the station when to change the message if

the "copy" refers to specific dates or occasions.

3. Ask for invoices in duplicate or triplicate when actual copies are required by cooperative arrangements with suppliers.

Direct Mail. An accurate, up-to-date mailing list plays the most important roll in direct mail advertising. Stores with charge accounts have a valuable list at their disposal, waiting to be used.

Direct mail has many purposes. It can be aimed at old customers, inviting them to pre-sale occasions. It can be focused on prospective customers for individual products. Or it can be used to create "goodwill."

Smaller stores, or stores without credit accounts, can build up their own lists from publications or directories.

Consult the post office in advance regarding fees, permits, and other requirements for direct mailings.

Benefit from Cooperative Advertising Policies of Suppliers

Many manufacturers and wholesales state that a significant part of the reserves they set up for cooperative advertising are not used by their retailers. This is surprising because cooperative advertising results in substantially lower costs for the retailer.

For their own legal protection and to insure the greatest return from their investment, manufacturers set up specific requirements to be observed in cooperative advertising. The retailer should consult each vendor about the requirements which must be met to qualify. The retailer must also be aware of the procedures to follow to apply for and receive payments. Some vendors relate cooperative dollars to the amount of the retailer's business. Others do so on a percentage basis. So, you must be aware of how many cooperative dollars you have to spend. The amount and rules for payment of cooperative dollars are at the discretion of the vendor.

"Goodwill" Advertising

Every retailer receives requests and solicitations for advertising by all types of organizations including social groups, schools, churches, and fraternal societies. Often, friends and relatives make these requests. From the standpoint of maintaining good public relations, the retailer is frequently reluctant to turn them down. The cost of these donations should not be charged to advertising but to publicity or to "contributions"so that the advertising budget is not distorted.

Use Promotional Ideas in Your Advertising

Retailers featuring products without the benefit of low prices, novelty, or new features have found promotional techniques an excellent basis for their advertising. Action is the keynote for sales promotion; however, merchandising ideas are the necessary prelude to action. If you coordinate promotion with advertising and personal selling, you can usually increase store traffic and thus produce good sales results.

The first requirement is a sound selling idea such as a "special sales" event, price discounts, a liberal credit plan, a contest, or a premium offer. There are many sources for promotional campaign suggestions, including trade journals, newsletters, and various books on the subject.

Once you have planned and scheduled the campaign, promote it through the use of newspaper and radio advertising, window and store displays, coupons, and literature. Promotions are especially necessary for retailers starting new businesses.

Pack Your Ads with Selling Punch

Here are some tips you can use when you begin to work up your advertisments. When properly followed they will help inject selling punch into your advertising.

Make your ads easy to recognize. Give your copy and layout a consistent personality and style.

Use a simple layout. Your layout should lead the reader's eye easily through the message from the art and headline to the copy and price to the signature.

Use dominant illustrations. Show the featured merchandise in dominant illustrations. Whenever possible, show the product in use.

Show the benefit to the reader. Prospective customers want to know "what's in it for me." But, do not try to pack the ad with reasons to buy—give the customers one primary reason, then back it up with one or two secondary reasons.

Feature the "right" item. Select an item that is wanted, timely, stocked in depth, and typical of your store. Specify branded merchandise and take advantage of

dvertising allowances and cooperative advertising whenever you can.

State a price or range of prices. Don't be afraid to quote high prices. If the price is low, support it with statements which create belief, such as clearance or special purchase.

Include store name and address. Double check every ad to make sure it contains store name, address, telephone number, and store hours.

The Only Purpose Is To Sell

If you try to be clever, humorous, or subtle in your advertising, you handicap its objective which is *to help you sell your products.* The elements of good copy are sometimes summarized in the term: *AIDCA.* This is, attract *Attention,* develop *Interest, Describe* the product, *Convince* the reader, and get *Action.*

For effective copywriting, make each word count. Avoid unnecessary words. Keep sentences short. Put *action* in your words. Use terms your readers will understand. Don't use introductions, get right to the point of your essage. Make use of imaginative ideas, variety, or colorful references only when they do not interfere with or slow your sales message.

Observe the advertisements of the major stores in metropolitan cities; they convey a world of informative suggestions to retailers who cannot afford the services of advertising agencies.

Do not advertise something you are "stuck with." If customers did not want the item previously, no amount of advertising will sell it. Your best results will come when you advertise items that your customers prefer and like to buy from you.

The purpose of advertising is to get traffic into your store. A highly desirable item featured in your ad will bring in this traffic. Then, the customers may buy other items if you have them properly priced and displayed.

The Growing Power of Consumer Protection

The small retailer must be more and more concerned with the effect of consumer protection regulations. Regulations on advertising are now being made at Federal, State, and local levels.

Nationally, the Federal Trade Commission, the Food and Drug Administration, and the Federal Communications Commission are among the various regularatory bodies which control the advertising practices of the large corporations. At the retail level are such mechanisms as state departments of consumer affairs, local bureaus of consumer affairs, and the Better Business Bureaus.

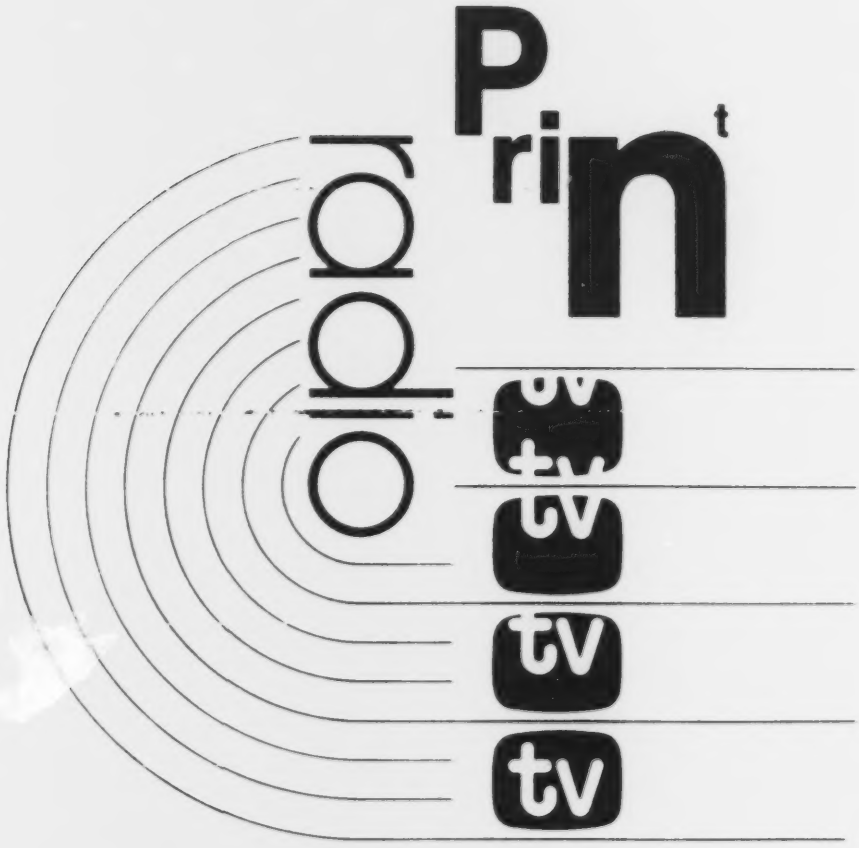
Among the regulations of the greatest importance to retailers are those concerning the use of false or misleading advertising resulting in "bait-and-switch" practices. Advertising is a very visable or audiable medium, easily subject to supervision and criticism from both legal and consumer standpoints. You should use care in making statements and claims for the products you advertise. Be sure that they conform to the various state and federal regulations and the standards of good taste.

Advertising should be viewed as a sales building investment and not simply as an element of business expense. When it is well planned and well carried out, your advertising can be an important factor in the future growth of your business.

sma 164

Small Marketers Aids
U.S. Small Business Administration

Plan Your Advertising Budget



Summary

Deciding how much your advertising should cost — just how much should be invested in making sales grow — and how that amount should be allocated is completely up to you, the small business owner-manager.

Advertising costs are a completely controllable expense. Advertising budgets are the means of determining and controlling this expense and dividing it wisely among departments, lines, or services.

This Aid describes various methods (percentage of sales or profits, unit of sales, objective and task) for intelligently establishing an advertising budget and suggests ways of applying budget amounts to get the effects you want.

First Printed January 1978

If you want to build sales, it's almost certain you'll need to advertise. How much should you spend? How should you allocate your advertising dollars? How can you be sure your advertising outlays aren't out of line? The advertising budget helps you determine how much you have to spend and helps establish the guidelines for how you're going to spend it.

What you'd like to invest in advertising and what you can afford are seldom the same. Spending too much is obviously an extravagance, but spending too little can be just as bad in terms of lost sales and diminished visibility. Costs must be tied to results. You must be prepared to evaluate your goals and assess your capabilities — a budget will help you do precisely this.

Your budget will help you choose and assess the amount of advertising and its timing. It will also serve as the background for next year's plan.

Methods of Establishing a Budget

Each of the various ways in which to establish an advertising budget has its problems as well as its benefits. No method is perfect for all types of businesses, nor for that matter is any combination of methods.

Here, concepts from several traditional methods of budgeting have been combined into three basic methods: **(1) Percentage of sales or profits, (2) Unit of sales,** and **(3) Objective and task.** You'll need to use judgment and caution in settling on any method or methods.

1. Percentage of Sales or Profits

The most widely used method of establishing an advertising budget is to base it on a percentage of sales. Advertising is as much a business expense as, say, the cost of labor and, thus, should be related to the quantity of goods sold.

The percentage-of-sales method avoids some of the problems that result from using profits as a base. For instance, if profits in a period are low, it might not be the fault of sales or advertising. But if you stick with the same percentage figure, you'll automatically reduce your advertising allotment. There's no way around it: 2% of $10,000 is less than 2% of $15,000.

Such a cut in the advertising budget, if profits are down for other reasons, may very well lead to further losses in sales **and** profits. This in turn will lead to further reductions in advertising investment, and so on.

In the short run a small business owner might make small additions to profit by cutting advertising expenses, but such a policy could lead to a long term deterioration of the bottom line. By using the percentage-of-sales method, you keep your advertising in a consistent relation to your sales volume — which is what your advertising should be primarily affecting. Gross margin, especially over the long run, should also show an increase, of course, if your advertising outlays are being properly applied.

What percentage? You can guide your choice of a percentage-of-sales figure by finding out what other businesses in your line are doing. These percentages are fairly consistent within a given category of business.

It's fairly easy to find out this ratio of advertising expense to sales in your line. Check trade magazines and associations. You can also find these percentages in Census and Internal Revenue Service reports and in reports published by financial institutions such as Dun & Bradstreet, the Robert Morris Associates, and the Accounting Corporation of America.

Knowing what the ratio for your industry is will help to assure you that you will be spending proportionately as much or more than your competitors; but remember, these industry averages are not gospel. Your particular situation may dictate that you want to advertise more than or less than your competition. Average may not be good enough for you. You may want to outadvertise your competitors and be willing to cut into short term profits to do so. Growth takes investment.

No business owner should let any method bind him or her. It's helpful to use the percentage-of-sales method because it's quick and easy. It ensures that your advertising budget isn't way out of proportion for your business. It's a sound method for stable markets. But if you want to expand your market share, you'll probably need to use a larger percentage of sales than the industry average.

Which sales? Your budget can be determined as a percentage of past sales, of estimated future sales, or as a combination of the two.

1. **Past sales.** Your base can be last year's sales or an average of a number of years in the immediate past. Consider, though, that changes in economic conditions can make your figure too high or too low.

2. **Estimated future sales.** You can calculate your advertising budget as a percentage of your anticipated sales for next year. The most common pitfall of this method is an optimistic assumption that your business will continue to grow. You must keep general business trends always in mind, especially if there's the chance of a slump, and hardheadedly assess the directions in your industry and your own operation.

3. **Past sales and estimated future sales.** The middle ground between an often conservative appraisal based on last year's sales and a usually too optimistic assessment of next year's is to combine both. It's a more realistic method during periods of changing economic conditions. It allows you to analyze trends and results thoughtfully and to predict with a little more assurance of accuracy.

2. Unit of Sales

In the unit-of-sale method you set aside a fixed sum for each unit of product to be sold, based on your experience and trade knowledge of how much advertising it takes to sell each unit. That is, if it takes two cents' worth of advertising to sell a case of canned vegetables and you want to move 100,000 cases, you'll probably plan to spend $2,000 on advertising them. Does it cost X dollars to sell a refrigerator? Then you'll probably have to budget 1,000 times X if you plan to sell a thousand refrigerators. You're simply basing your budget on unit of sale rather than dollar amounts of sales.

Some people consider this method just a variation of percentage-of-sales. Unit-of-sales does, however, probably let you make a closer estimate of what you should plan to spend for maximum effect, since it's based on what experience tells you it takes to sell an actual unit, rather than an overall percentage of your gross sales estimate.

The unit-of-sales method is particularly useful in fields where the amount of product available is limited by outside factors, such as the weather's effect on crops. If that's the situation for your business, you first estimate how many units or cases will be available to you. Then, you advertise only as much as experience tells you it takes to sell them. Thus, if you have a pretty good idea ahead of time how many units will be available, you should have minimal waste in your advertising costs.

This method is also suited for specialty goods, such as washing machines and automobiles. However, it's difficult to apply when you have many different kinds of products to advertise and must divide your advertising among these products. The unit-of-sales method is not very useful in sporadic or irregular markets or for style merchandise.

3. Objective and Task

The most difficult (and least used) method for determining an advertising budget is the objective-and-task approach. Yet, it's the most accurate and best accomplishes what all budgets should:

It relates the appropriation to the marketing task to be accomplished.

It relates the advertising appropriation under usual conditions and in the long run to the volume of sales, so that profits and reserves will not be drained.

To establish your budget by this method, you need a coordinated marketing program with specific objectives based on a thorough survey of your markets and their potential.

While the percentage-of-sales or profits method first determines how much you'll spend without much consideration of what you want to accomplish, the task method establishes what you must do in order to meet your objectives. Only then do you calculate its cost.

You should set specific objectives, not just "increase sales" but, for example, "Sell 25% more of product X or service Y by attracting the business of teenagers." Then determine what media best reach your target market and estimate how much it will cost to run the number and types of advertisements you think it'll take to get that sales increase. You repeat this process for each of your objectives. When you total these costs, you have your projected budget.

Of course, you may find that you can't afford to advertise as you'd like to; it's a good idea, therefore, to rank your objectives. As with the other methods, be prepared to change your plan to reflect reality and to fit the resources you have available.

How to Allocate Your Budget

Once you have determined your advertising budget, you must decide how you'll allocate your advertising dollars. First, you'll have to decide if you'll do any institutional advertising, or only promotional advertising.

After you set aside any amount to build your image (if that's in your plans for the year), you can then allocate your promotional advertising in a number of ways. Among the most common breakdowns are by **1) departmental budgets, 2) total budget, 3) calendar periods, 4) media,** and **5) sales areas.**

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1. **Departmental Budgets.** The most common method of allocating advertising dollars is percent of sales. Those departments or product categories with the greatest sales volume receive the biggest share of the budget.

In a small business or when the merchandise range is limited, the same percentage can be used throughout. Otherwise, a good rule is to use the average industry figure for each product.

By breaking down the budget by departments or products, those goods that require more promotion to stimulate sales can get the required advertising dollars. Your budget can be further divided into individual merchandise lines.

2. Total Budget. Your total budget may be the result of integrated departmental or product budgets. If your business has set an upper limit for advertising expense percentage, then your departmental budgets, which are based on different percentages of sales in each area, might be pared down.

In smaller businesses the total budget may be the only one established. It, too, should be divided into merchandise classifications for scheduling.

3. Calendar Periods. Most executives of small businesses usually plan their advertising on a monthly, even a weekly, basis. Your budget, even if it's for a longer planning perod, ought to be calculated for these shorter periods. It will give you better control.

The percentage-of-sales methods is also useful here to determine how much money to allocate by time periods. The standard practice is to match sales with advertising dollars. Thus, if February accounts for 5% of your sales, you might give it 5% of your budget.

Sometimes you might want to adjust advertising allocations downward in some of your heavier sales months, so you can boost the budget of some of your poorer periods. But this should be done only if you have reason (as when your competition's sales trends differ markedly from yours) to believe that a change in your advertising timing could improve slow sales.

4. Media. The amount of advertising that you place in each advertising medium—such as direct mail, newspapers, or radio—should be determined by past experience, industry practice, and ideas from media specialists. Normally it's wise to use the same sort of media your competitors use. That's where, most likely, your potential customers look and listen.

5. Sales areas. You can spend your advertising dollars where your customers already come from, or you can use them to try to stimulate new sales areas. Just as in dividing your appropriation by time periods, it's wise to continue to do the bulk of your advertising in familiar areas. Usually it's more costly to develop new markets than to maintain established ones.

A Flexible Budget

Any combination of these methods may be employed in the formation and allocation of your advertising budget. All of them—or simply one—may be needed to meet your advertising objectives. But however you decide to plan your budget, you must make it **flexible,** capable of being adjusted to changes in the marketplace.

The duration of your planning and budgeting period depends upon the nature of your business. If you can use short budgeting periods, you'll find that your advertising can be more flexible and that you can change tactics to meet immediate trends.

To ensure advertising flexibility, you should have a contingency fund to deal with special circumstances—such as the introduction of a new

product, specials available in local media, or unexpected competitive situations.

Be aware of your competitors' activities at all times. Don't blindly copy your competitors, but analyze how their actions may affect your business—and be prepared to act.

Getting Started

Your first budget will be the most difficult to develop—but it will be worth the effort. The budget will help you analyze the results of your advertising. By your next business year you'll have a more factual basis for budgeting than you did before. Your plans will become more effective with each budget you develop.

For Further Information

The following **Small Business Administration** publications are available free by writing to **SBA**, P.O. Box 15434, Fort Worth, TX 76119.

SMA 121 — Measuring the Results of Advertising

SMA 156 — Marketing Checklist for Small Retailers

SMA 160 — Advertising Guidelines for Small Retails Firms

SBB 20 — Advertising — Retail Store

The following booklet may be purchased from the **Superintendent of Documents, Government Printing Office, Washington, DC 20402** (write for current price).

SBMS 34 — Selecting Advertising Media — A Guide for Small Business

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U.S. Small Business Administration
Management Assistance
Support Services

Management Aids
Number 4.021

SBA

Specialty Advertising for Small Businesses

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Irving, Texas

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Summary

For years small business owners have been putting their names and logos on such things as calendars, notepads, ballpoint pens and keytags and giving them to customers and prospects. Not intended simply as an act of business generosity, this is advertising—specialty advertising to be exact. The problem is that many small business owners don't know the fine points of this form of advertising and don't maximize the advantages it offers. This *Aid* explains why specialty advertising works and provides illustrations of how small business firms have applied this *targeted* medium to specific promotional objectives achieving some remarkable results.

Introduction

An industrial film studio once ran an ad headlined: *It's more important to reach the people who count than to count the people you reach.* That is a handy maxim for business owners to keep in mind when they plan their advertising, because money spent on reaching the people who don't count—non-prospects—is money wasted.

This fact is acknowledged by your life insurance agent who gives you a calendar each year or by your bank that gives you a ballpoint pen with the bank name on it. As a policyholder and as a depositor, you count with these businesses, and they give you these promotional items—properly called advertising specialties—to let you know it.

The fact these items are given away shouldn't be misinterpreted as purely an act of business charity. There is a reason for presenting specialty advertising gifts. When used properly, specialty advertising can be one of the most effective means of promoting a small business. The trick is to use it properly. But first business owners must understand what it is and what it can and cannot do for their companies.

Why Specialty Advertising Works

Advertising specialties are defined as useful articles of merchandise that are imprinted with an advertisement and are given to customers and potential customers without any strings attached. Unlike premiums, they are not earned or awarded in exchange for a purchase. Sometimes the ad on these specialties is no more than the name or logo of the sponsor. Everyday one comes across cigarette lighters, ashtrays, paperweights, ballpoint pens and T-shirts that meet this description. These are just a few of the estimated 15,000 different types of merchandising items that are used in the medium called specialty advertising.

All advertising media offer users specific advantages—and all media have their limitations. You must be familiar with the strengths and weaknesses of the various media in order to make the right choices for your business.

Let's look at some of the advantages offered by specialty advertising.

Unlike newspapers and television, which are mass media, specialty advertising is one of the *targeted* media. Newspapers and television are fine when you want to deliver your message to the most people you can possibly reach. But in this mass audience are many people who are not interested in what you have to sell. Consequently, you must also look for promotional efficiency. This is provided by the targeted media—direct mail, trade press and specialty advertising—because they can deliver your message only to prospects, thereby saving you the expense of buying non-productive circulation.

Notice that specialty advertising products are defined as useful articles of merchandise. Because they are useful, at least to varying degrees, they are kept and used by recipients. Each time the items are referred to, the advertiser's name and message get exposure. The recipient doesn't always consciously note the ad, of course, but the message is entered into the individual's memory and can be recalled at the appropriate time. Advertising recall is important, but so often advertisers don't achieve this sought-after benefit from the media they use. What good does it do when the TV viewer chuckles over a clever commercial but can't remember the name of the sponsor?

When it comes to ad budgets, small businesses obviously cannot compete with corporate giants. Budget limitations severely restrict the small entrepreneur's use of some of the costlier mass media. Fortunately, specialty advertising comes in a lot of price ranges. There are, remember, 15,000 different types of specialties, some costing several dollars and some only a few cents apiece. So there are specialties available to any advertiser, regardless of how small the budget.

How consumers react to your advertising is important. If they are offended or indifferent to it, you have not gained from your promotional investment. Specialty

dvertising, however, carries with it an ingratiation ctor. People like to get something for nothing, regardless of how inexpensive the item may be. They tend to look favorably on companies giving them free specialties. There is statistical evidence that people prefer to patronize businesses giving specialties as opposed to those that do not, all things being equal.

Another unique attribute of specialty advertising is that it permits advertisers to personalize the message. Suppose out of all your customers and prospects there are a hundred or so key ones you want to concentrate on. Because you probably can identify them by name, you can give added value to the advertising item you send them by imprinting their name on it. The favorable reaction to this kind of message enhancement can never be overstated.

As you can see, there are several advantages offered by specialty advertising, some of which cannot be found in other media. Specialties also have some limitations. One has to do with the amount of copy space available. On a ballpoint pen, for example, there usually isn't enough space to imprint more than the advertiser's me and address. To overcome this deficiency, dvertisers often distribute a printed companion piece with the specialty, and this flyer or brochure contains the reasons to purchase.

Another liability is the comparatively long production and delivery time sometimes required to implement a specialty advertising promotion. Even stock items ordered right out of a manufacturer's catalog sometimes take four to eight weeks for delivery. Consequently, the business owner who plans to hold a clearance sale the following week may find his or her purpose better served by using newspaper ads and TV or radio spots.

Another drawback worth mentioning is the difficulty one finds in measuring the results of many specialty promotions. Of course, this is a problem with other media, too. Unless a method of evaluation is built into the specialty promotion, the business owner may have no evidence the promotion is doing him or her any good. Indeed, some types of promotions offer no practical means of measuring their effectiveness. This doesn't mean the promotion shouldn't be undertaken. A simple romotion to achieve goodwill for the business owner ay do just that, but it is difficult to weigh that goodwill and translate it into sales.

Elements of a Promotion

You should not confuse a planned promotion with a simple distribution of specialties. Promotions require considerable forethought and work and, consequently, they are likely to be much more productive. Promotions are composed of a number of elements:

- Establishing objectives
- Defining target audiences
- Adopting a distribution method
- Developing a theme and copy
- Selecting the appropriate specialties
- Implementing the promotion
- Evaluating the results

Objectives. No one advertises without a reason and an expectation of accomplishment. However, sometimes the reasons and the expectations are not clearly understood and stated. Unless you set forth at the beginning realistic objectives, consistent with your budget, you become a traveler embarking on a trip without any conception of how or where you're going.

Target audiences. These are the prospects for your business. Sometimes they are qualified on the basis of probable use of your products or services: heavy users and light users. Greater promotional weight may then be applied to the heavy users' group that will produce more revenue for your business. You may recall the adage that 80 percent of a firm's business comes from 20 percent of its customers.

Distribution method. Specialties are distributed to the targeted prospects in a number of ways: over the counter in the advertiser's place of business; by a second party whose business is related in some way to the advertiser or its customers; by direct mail solicitation; and by sales people calling on prospects. Proper attention to distribution is essential, because the promotion will fail if the specialties don't reach the right people.

Theme and copy. The theme is what gives a promotion an identity, ties it together and makes it memorable. The copy that appears on the specialties and the accompanying product or service literature should relate to that theme. If you are mounting a full-fledged campaign involving other media, be sure you coordinate the specialties with the over-all campaign theme.

Selection of specialties. This is a key element that should not be slighted. It involves much more than examining a couple of catalogs and choosing a specialty that catches your eye.

In making your selection, you must first, of course, consider your budget. Suppose you've allocated $1,000 to purchase specialties and you have in mind a target audience of 1,000 persons. This means your choice is limited to specialties costing no more than $1 apiece. If you think a higher-ticket item will be more effective, you can reduce your intended target audience to, say, 250 persons, thus allowing for a $4 item. Another alternative is to increase your budget. You can also make a stratified distribution, whereby the higher-priced specialties are directed to the best prospects and the lower-priced items are distributed to lesser prospects.

The next thing to be examined is the desired audience reaction. If you are simply trying to get noticed, an attention-getter is required. This can be anything from a balloon or novelty item like the giant styrofoam *We're Number One* fingers. On the other hand, if you want to be remembered over a period of time, choose a specialty that is more useful and practical and, hence, more likely to be retained by the recipients.

Your distribution method must be considered, too, when you select specialties. For example, if you intend to mail the specialties to your target audience, you should either consider the weight and size of the articles or add to your postage budget.

Whenever possible, the specialties should be related in some way to your product or service, to your target audience, or to your promotion theme. This is why optometrists often use packets of eyeglass lens tissues to promote their practices and why auto dealers give keytags to prospective car buyers. The association between the specialty and the advertiser or the item and the audience usage has the effect of triggering audience recall.

Implementation. This is the point where the promotion strategy is executed. It involves not only distributing the specialties to the target audience but also securing whatever information and cooperation is needed to make the promotion work. Examples of implementation will be described in the next section covering typical promotion objectives.

Evaluation. This is something that is often ignored because it is either impractical in relation to the promotional investment or because the response is difficult to measure. Yet whenever possible, business owners should try to get a reading on the promotional efficiency of all media they use because it helps them determine whether the promotion should be repeated, revised or discontinued and whether or not the budget is sufficient. Promotions employing a direct mail solicitation, for example, are easy to measure. All you need to do is make a split-run mailing in which half the audience gets the specialty and product literature and the other half gets only the literature. Then you compare the response rates between the two audience segments.

Typical Promotion Objectives

There are hundreds of applications for specialty advertising. These are some of the most frequent uses by small businesses:

- Celebrating grand openings or special events
- Building store traffic
- Developing or qualifying business leads
- Promoting image and maintaining customer goodwill
- Introducing new products and services
- Opening doors for salespeople

Grand openings and special events. Whether a business is brand new in town or has been around awhile, it needs to make prospects aware of its existence. One of the best ways is to bring prospects to the establishment so they can see for themselves what the firm's capabilities are.

Example: Management of a welding and metal fabricator in St. Paul wanted a large turnout at its open house and wished to assure that guests saw every phase of production. The invitation promised each guest an unidentified gift for attending. In addition, prizes were to be awarded at random. Since it was impossible to give each guest an escorted tour, prize stations were set up in each work area. Guests were given their gift, a pewter letter opener embossed with the advertiser's logo, and an itinerary showing the prize stations. At each station was an RFD-type mailbox containing an envelope that could be slit with the letter opener. The message inside indicated if guests had won a prize or should try their luck at the next station. Of the 797 persons invited, 575 attended and toured the entire facility.

Store traffic. Specialty advertising can help develop patronage. All it takes is a little imagination.

Example: Owners of a New Orleans restaurant specializing in French cuisine and fine wines believed the best way to increase their patronage was to go after the affluent market. They targeted 500 upper-income families new to the area and sent them a linen wall calendar on which was imprinted the recipe of the

restaurant's famous shrimp creole. Recipients were told they could get a free cocktail for each member of their party with purchased meals if they presented the hanger string of the calendar. Fifty-two percent of the targeted households took advantage of the free cocktail offer, and many respondents became regular customers.

Developing leads. Who is really in the market for your product or service? They need to be identified and made aware of what you have to offer.

Example: A personnel placement agency ran an ad in a Houston business journal announcing *The Great Texas Type-off* in which secretaries and other typists could compete for a prize trip to Acapulco. Specialties were chosen to conform to the promotion's western theme. Agency employees wore T-shirts imprinted with the *Wanted*-poster theme of the Type-off, and name badges resembling sheriff's stars were issued to the fast-typing finalists, judges and members of the press. Media reporters were also issued theme-imprinted tote bags and T-shirts. The competition produced good media coverage and 400 entrants. The sponsoring agency obtained 100 new placement candidates and 50 new companies for its client list.

Promoting image and goodwill. Reliability, quality products, fair prices, fast service, concern for customers are typical images businesses like to portray. Specialties can help, too.

Example: A plumbing supply company in Hawthorne, California mailed a survey questionnaire to plumbing contractors. Copy on an accompanying cartoon explained the firm valued the recipients' business and wanted their opinion of the company's performance, because *We want to be sure to measure up.* To elicit a response, the mailer contained a logo-imprinted tape measure, chosen because of its association with the theme—Measure Up. The mailing generated a 35 percent return, enabling the company to correct service deficiencies.

Introducing new products and services. When you're offering prospects something they haven't seen before from you (or perhaps from anyone else), you've got to tell them about it.

Example: In a central Texas city, a purchaser of a materials-handling equipment distributorship quickly sought to divorce itself from the previous owner's reputation for poor service. The new owner mailed to 425 prospects a card introducing a cartoon character, Super Hustler, who was described as being *faster than a speeding piston, more powerful than a C-500, and able to cut overhead in a single call.* The new service policy was amplified in a second mailing that guaranteed a repair man on the scene within three hours of a call. Imprinted on the enclosed specialty, a shoulder phone rest, was the number to call for service. The final mailing promised another specialty, a coffee mug, for those who returned a reply card. Approximately 50 percent of the recipients requested a coffee mug, which was delivered by a salesperson. The new service policy and its imaginative proclamation helped increase the distributor's service business 27 percent.

Opening doors for salespeople. Few salespeople are so presumptuous as to think prospects are waiting to receive them with a brass band. More often, the prospect is "in conference," "out of town," "can't be disturbed," or is otherwise unavailable to the salesperson. And when direct mail is used, often there is a secretary who is screening the mail. What is needed is a door opener.

Example: Telephone solicitation was being used by a Winter Park, Florida sales training organization to arrange appointments for its salespeople. Because it was securing only four appointments for every ten calls, the company decided to try something else. The firm's specialty advertising counselor recommended designing a custom specialty—an 11 ounce bar of chocolate molded into the shape of a giant baby pacifier. The item tied in nicely to the accompanying copy: *Instead of trying to pacify salesmen whose sales are declining, show them how to improve.* Attractively gift-wrapped, the pacifier was delivered to the target audience without the sender's name on the box so the recipient would have to open the package to find out who sent it. The idea worked. It achieved for the sales trainer a 90 percent appointment rate, and these calls produced an 80 percent closing rate.

Success stories like these do not come about by accident. These advertisers wanted results and looked for someone who could deliver them.

Where to Get Help

Usually, specialties are purchased from specialty advertising distributors. In the U.S., there are approximately 5,000 of these firms, which are sometimes called "counselors" because many of them also provide promotional counsel and implementation for their clients. Since distributors, or counselors, are independent entrepreneurs that carry the lines of many

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manufacturers, they can help you select whatever specialties best suit your needs.

In addition to furnishing art and copywriting services, most distributors are capable of designing complete promotions for their clients. When a promotion requires additional work, such as preparation of brochures, there is a charge in addition to the cost of the specialties. However, the distributor's expert advice on executing the promotion is usually free. Since it costs nothing, why not take advantage of it?

Specialty advertising distributors can be found in the phone book yellow pages, usually listed under **Advertising Specialties**. If you are unable to find one in your community, Specialty Advertising Association International may be able to help you. This organization is located at 1404 Walnut Hill Lane, Irving, Texas 75062. (Phone: 214/258-0404.)

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Skoglund Communications, Inc.

Rates & Coverage

Effective September 1, 1985

Poster Panels

Served through Eau Claire Office

Market	Population	Daily Grps.	Allotment Reg.	Allotment Illum.	Total Panels	D.E.C.	Rate Per Month*
Hastings, MN	12,827	100	0	2	2	10,292	$500
		50	0	1	1	5,146	250
Lake City, MN	4,505	100	2	0	2	6,844	$500
		50	1	0	1	3,422	250
Red Wing, MN	13,736	100	1	1	2	7,578	$500
		50	1	0	1	3,117	250
Baldwin, WI	1,399	100	2	0	2	2,600	$500
		50	1	0	1	1,300	250
Boomer, WI	3,143	100	2	0	2	4,800	$500
		50	1	0	1	2,400	250
Durand, WI	2,103	100	2	0	2	4,000	$500
		50	1	0	1	2,000	250
Ellsworth, WI	1,983	100	2	0	2	10,800	$500
		50	1	0	1	5,400	250
Elmwood, WI	885	100	2	0	2	2,200	$500
		50	1	0	1	1,100	250
Knapp, WI	419	100	2	0	2	1,800	$500
		50	1	0	1	900	250
Menomonie, WI	11,275	100	2	0	2	2,300	500
		50	1	0	1	1,150	250
Osseo, WI	1,356	100	2	0	2	4,000	$500
		50	1	0	1	2,000	250
River Falls, WI	7,238	100	2	0	2	15,200	$500
		50	1	0	1	7,600	250
Spring Valley, WI	955	100	2	0	2	2,000	$500
		50	1	0	1	1,000	250

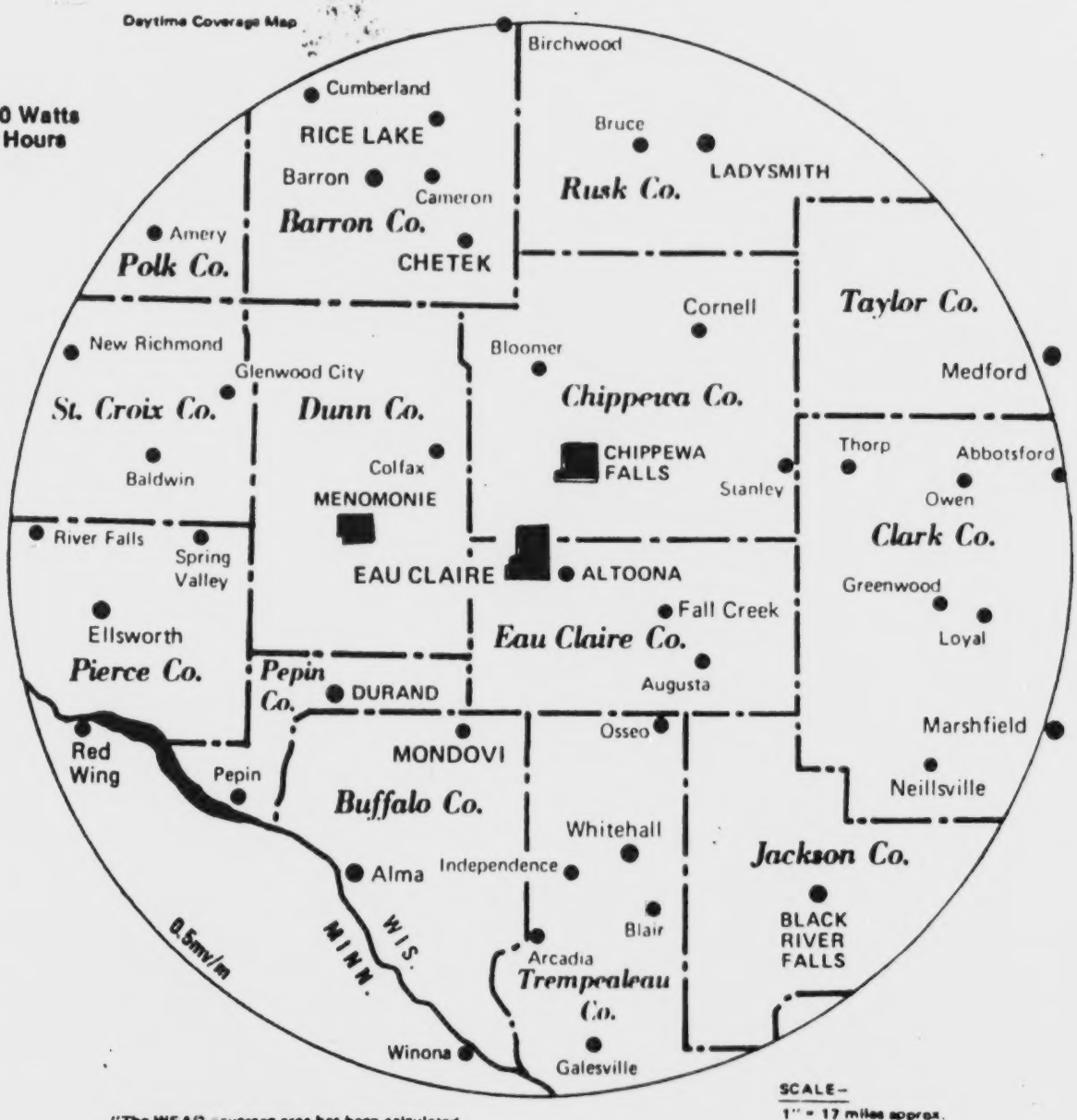
*Rate per month does not include paper production.

WEAQ
AM 790 Radio

Post Office Box 1, Eau Claire, Wisconsin 54702
(715) 832-3463

Daytime Coverage Map

5,000 Watts
24 Hours



SCALE–
1" = 17 miles approx.

"The WEAQ coverage area has been calculated using a radiation of 483 mv/m and FCC official ground conductivities"

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TalkNet
HITPARADE
NBC Radio Affiliate

027

WEAQ AM 790 Radio

I-94 fm stereo

WEAQ & WIAL Radio
P.O. Box 1
Eau Claire, WI 54702
(715) 832-3463

Advertiser		WEAQ only	WIAL only	WEAQ and WIAL
Co-op		WEAQ Cart	WIAL Cart	
Sales Rep	Date Written	Announcer	Length	
Writer	Produced by			
WEAQ Start	Stop			
WIAL Start	Stop			

:10

:30

This announcement was broadcast _____ times as entered on the station program log. The times this announcement was broadcast were billed to this station's client on our invoice(s) number

_____

dated _____ at the client's earned rate of:

$_____ each for _____ announcements for a total of $_____

$_____ each for _____ announcements for a total of $_____

$_____ each for _____ announcements for a total of $_____

$_____ each for _____ announcements for a total of $_____

$_____ each for _____ announcements for a total of $_____ 112

_____ WEAQ - WIAL Official _____ Date

_____ Notary _____ Date

026

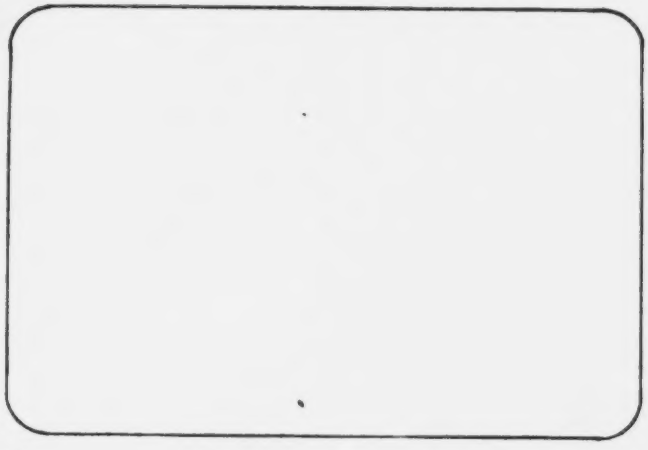
PROGRAM TITLE: _____

JOB # _____

AUDIO VISUAL PRODUCTION STORY BOARD

1 District One Technical Institute
Media Assistant Program

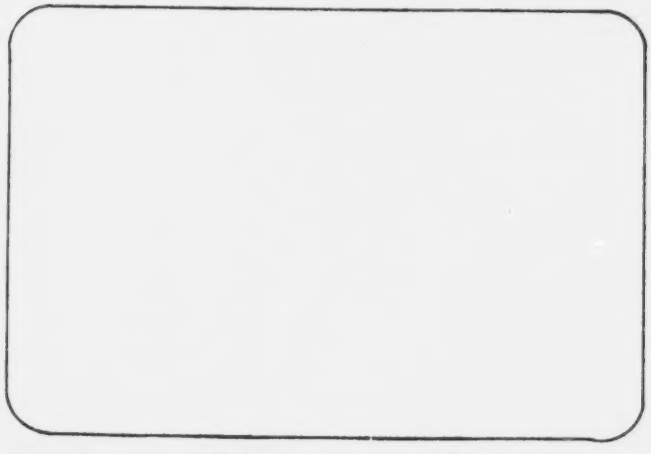
Dir./ Prod. _____



☐ART _____ SEQUENCE _____ TRAY _____
☐PHOTO _____ FRAME _____ SLOT _____

SCRIPT FOR THIS FRAME

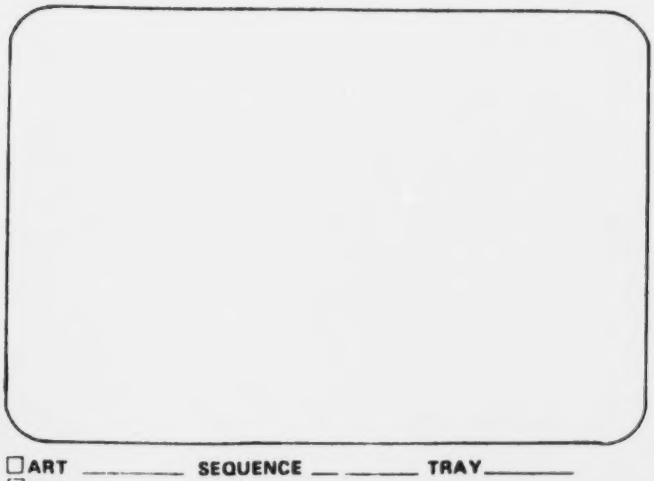
AUDIO BACKGROUND:
☐ MUSIC
☐ SOUND EFFECT(S)



☐ART _____ SEQUENCE ___ . __ TRAY _____
☐PHOTO _____ FRAME _____ SLOT _____

SCRIPT FOR THIS FRAME

AUDIO BACKGROUND:
☐ MUSIC
☐ SOUND EFFECT(S)



☐ART _____ SEQUENCE __ _____ TRAY _____
☐PHOTO __ FRAME _____ SLOT _____

SCRIPT FOR THIS FRAME

AUDIO BACKGROUND:
☐ MUSIC
☐ SOUND EFFECT(S)

NOTE: The guide lines are designed to accommodate the characters of a standard typewriter and there are approximately eight words to each line. The copy for each frame should not run over 15 seconds or about fifty typewritten words.

PAGE # 113

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Siding Contractors—(Cont'd)

LARSON-BERRY INC

COMMERCIAL - RESIDENTIAL
HOME IMPROVEMENT SPECIALIST

STEEL
ALUMINUM
& VINYL SIDING

"WE GUARANTEE YOUR SATISFACTION"

201 Main Wheeler ----------632-2019

LOEW'S HOME IMPROVEMENT

SIDING
VINYL • STEEL
ALUMINUM
• COMPLETE EAVE AND WINDOW TRIM
• SHUTTERS & AWNINGS
• FREE ESTIMATES • INSURED

719 Herbert Chip Fls ----------723-1066

NELSON INSULATION & ROOFING

ALUMINUM & STEEL SIDING
DOORS & WINDOWS FREE ESTIMATES
Call Evenings If No Answer 874-8469

----------723-8670

Schneider Siding
9835 Nine Mile Creek Rd Fall Creek --877-2351
(Please See Our Display Ad This Page)

SPICKLER HOME IMPROVEMENT
4376 Hallie Rd Chip Fls --834-8166

Siding Materials

ALCOA ALUMINUM AND VINYL SIDING—
WAREHOUSE
ALCOA BUILDING PRODUCTS
1134 NE Stinson Blvd Minneapolis
Minn -- 612 331-3218

CHIPPEWA VALLEY SIDING & ROOFING CO
See Our Ad At Siding Contractors
28 S Bridge Chip Fls ----------723-6320

Sightseeing Tours

See "Tours-Operators & Promoters"; also "Travel Agencies & Bureaus"

Signs

BLUE RIBBON RANCH
R 2 Elk Mnd --Elk Lk Tel No 874-5281

BOISE ENGRAVING

QUALITY ENGRAVING
AT NEAR WHOLESALE PRICES
• SIGNS, PLAQUES, DIRECTORIES
• RUBBER STAMPS
• MAGNETIC SIGNS
• NAME PINS
• MAIL BOX NAME PLATES

FAST QUALITY SERVICE
ON ALL TYPES OF CUSTOM SIGNS

CONTRACTORS - NURSING HOMES
HOSPITALS

404 W Central Chip Fls ----------726-1991

CHIPPEWA VALLEY SIGNS

"The Best In Truck Lettering - Fast"
Sue Menard - Custom Sign Work For Over 20 Years
Magnetic Signs - Windows - Computer Vinyls
R 2 Longview Rd Eau Cl ----------874-6216

Signs—(Cont'd)

D B Designs
Truck-Lettering-Banners-Showcards-Airbrushing
2228 3rd Eau Cl ----------834-3010

GRAPHIC HOUSE INC

Full Electrical
Commercial Neon Sign
Service, Manufacturing
And Sandblasting

----------833-2055

Karker's Better Sign Co
3234 Fern Ct Eau Cl --832-6835

KETTNER SIGN CO

TRUCK LETTERING - BILLBOARDS
PAPER SIGNS - ELECTRICAL
CONVENTION SIGNS - REAL ESTATE
MAGNETIC SIGNS - ARCHITECTURAL SIGNAGE

219 E Madison Eau Cl ----------832-7771

LAKEVIEW ENGRAVING

CUSTOM ENGRAVED LAMINATED PLASTIC EQUIPMENT LABELS
DOOR & DESK PLATES
NAME BADGES
FREE DELIVERY

R 6 South Lake Shore Dr Chip Fls ------723-7813

RAY'S SIGN SERVICE
1616 S Hastings Way Eau Cl --834-8212
(Please See Our Display Ad Following Page)

Classification continued next page

SIDING
SIDING

ALUMINUM
VINYL
STEEL
TRIM SPECIALISTS
• WINDOWS • DOORS
• SEAMLESS ALUMINUM GUTTERS
• ROOFING • AWNINGS
• REPLACEMENT WINDOWS
• PORCH ENCLOSURES

"Pride In Our Work
Gives You Pride In Your Home"

"QUALITY WORKMANSHIP"
LICENSED & INSURED
REFERENCES AVAILABLE

SCHNEIDER SIDING

FREE ESTIMATES
Call
877-2351

9835 NINE MILE CREEK RD, FALL CREEK

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HANDOUT

GUIDELINES FOR CHOOSING AND WORKING WITH AN ADVERTISING AGENCY

In Choosing:

- Interview two or three agencies.
- Look for one that corresponds to your business size on the theory that your account might get lost with a large agency.
- Ask the agency about their experience and record of success in advertising products or services marketed the way yours are.
- Ask how they measure the effectiveness of their ads.
- Ask if you may call one of their clients for more information.
- Find out who will actually work on your account.
- Discuss their charges and billing procedures before you sign anything.

In Working With:

- Supply the agency with all the pertinent information you have on goals, product, budget, past sales, customer profile, etc. A good agency will not proceed until it has this information.
- Make clear agreements about money and results expected.
- Agree ahead of time on measure of effectiveness and keep accurate records.
- Learn as much as you can about media selection, technical production, and market research so you can participate intelligently, then step out of the way and let the professionals do their work.

HANDOUT

POSSIBLE SOURCES OF FREE ASSISTANCE IN PREPARING ADVERTISEMENTS

- Manufacturers and distributors have copy for direct mail or ads, mats for print media, scripts for radio commercials, posters for outdoor advertising.
- Newspaper advertising departments often will give assistance.
- Radio stations may suggest music and sound effects, edit scripts, or even write scripts based on the points you want to make.
- TV stations may help write scripts and supply technicians and equipment for filming.
- Copywriters and graphic designers on staff at printing and mailing houses may help with copy, list selection, graphics, etc.
- The Yellow Pages may provide mats or help in preparation of a unique ad.
- Some transit advertising companies and outdoor advertising firms may help with the design and printing of advertising materials.
- The Small Business Administration, as well as community, government, and educational institutions, offer workshops to help you prepare advertisements.

ADVERTISING: DEFINITIONS, GOALS AND CUSTOMER PROFILE

Definitions

- Advertising is mass paid communication, the purpose of which is to impart information, develop attitudes, and induce favorable action for the advertiser. (American Marketing Association)

- Advertising is any form of paid, non-personal promotion that has an identifiable sponsor and that usually communicates with a large number of people at the same time..

- Advertising is a way to inform, to persuade, to remind.

Goals

The goals of an advertising program are to:

- Bring in orders by phone or mail.
- Bring in requests for estimates or for sales representatives to call.
- Get action immediately.
- Get action within the next few days.
- Help people remember the name and be receptive to the brand.
- Get people to visit the store.
- Change or improve the company's image.
- Give specific data or information.
- Offer coupons, discounts, or "get acquainted" specials.
- Inform customers about new or unique services such as free delivery, credit cards, delayed payment plans.
- Capitalize on the seasonal nature of a product.
- Keep the community aware of the business.
- Promote special events such as sales, store closings, new store openings, free giveaways, etc.
- Introduce new products.

Customer Profile

Developing a comprehensive customer profile will help you shape and direct your sales message. Answer these questions about your past (why did they stop buying from you?), present (it's cheaper to hold on to current customers than to win new ones), and future (desired) customers:

- Where do they live? How far away from the point of purchase?
- How old are they? Male or female?
- What are their annual incomes?
- How do they perceive your product, store, service?
- What customer services do they value the most?
- Why do they buy from you rather than your competitor?
- What are their weekly or seasonal buying patterns?
- What kinds of products or services do they buy at one stop (or wish they could buy at one stop)?
- Why do they buy from you (quality, image, price, convenience, service, etc.)?

Business Opportunities

For additional information on any of the business opportunities below, see the "Money Reader Inquiry Service" on page 139

For advertising rates call: Russell Johns Associates, Ltd
Toll-free 800-237-9851 ☐ In Florida 813-443-7666

BIG PROFITS in Steel Frame Homes

OWN YOUR OWN TRI-STEEL DISTRIBUTORSHIP!

We make it easy with:

- Low capital investment
- No inventory requirement
- Distributor training & support
- Substantial discounts
- Single & multi-family designs
- Low maintenance
- Tremendous energy efficiency (R-30)
- Unique patented designs

Select territories now available with a refundable $4,950 investment.

For more information call (800) 433-5555 or in Texas (800) 772-5909.

TAKE ADVANTAGE OF THE HOTTEST IDEA IN HOME BUILDING. JOIN OUR WIN NING TEAM TODAY!

1400 Crescent • Denton TX

Tri-Steel Structures

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THE KEY TO YOUR SUCCESS

AUTO LEASING IS A BILLION DOLLAR BUSINESS...

with leased cars a projected three of every four cars on the road by 1990. By joining Amtran Corporation's national leasing network, you can be part of the phenomenal growth that will make us one of the strongest auto leasing companies of the future. Amtran's 35 years of auto experience brings you the training, financial and leasing support you need to be your own boss in an exclusive, protected territory. Put yourself in the driver's seat ... write or call our toll free number today.

AMTRAN LEASING

1-800-235-3081
In Ohio
1-216-831-0281

4920 Commerce Parkway, Dept. M2, Cleveland, OH 44128

MILLION DOLLAR OPPORTUNITY!

Own your own Racquethause Fitness Center and make big profits in America's #1 Growth Industry. Includes Complete Building, Nautilus, Racketball, Aerobics, Tanning Salon, Whirlpool, Sauna, Nursery, Management Training & More. Turn key completion in four months.

Racquethause®

For complete information send $5.00 to MMI

Qualified financing available through ITT Small Business Finance Corporation ITT

Suite 210, Tower Place • 3340 Peachtree Road, N.E. • Atlanta, GA 30326 • (404) 237-5221

Money grows on trees.

On the cedar trees of Lindal Cedar Homes and Justus Log Homes. The world's most popular custom cedar homes. And right now we're looking for a good dealer in many areas.

Call us collect at (206) 725-0900. (No franchise fee.) Because money grows in cedar.

LINDAL CEDAR HOMES Justus Log Homes

P.O. Box 24426, Seattle, WA 98124

CALL YOUR OWN SHOTS

If you'd rather take charge than take orders, owning an American Speedy Printing Center is the unlimited opportunity you're looking for.

AMERICAN SPEEDY PRINTING CENTERS™

CALL 1-800-521-4002

Financing available to qualified candidates

START YOUR OWN COMPANY FOR $495

Make up to 300% Profit Providing Students with Today's Most Desperately Needed Service

Computerized Scholarship/Matching Service

As an AGS Licensee you become President of your own prosperous business. Parents and students seek you out. You take charge, but we do all the servicing for you. NO experience necessary because we guide you step-by-step.

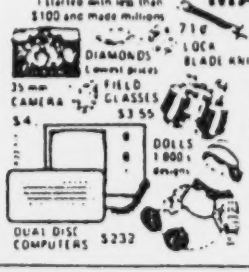
SEND FOR OUR FREE BROCHURE

ACADEMIC GUIDANCE SERVICES
230 Winding Way, Marlton, NJ 08053 • 609-983-3737
or

CALL TOLL FREE 1-800-USA-1221

SAMPLE IMPORT FREE!

B. L. Mellinger
Famous World Trader
started with less than $100 and made millions



Shows How You Make Big Money Part Time

MAIL ORDER/IMPORT HOME BUSINESS

BUY BELOW WHOLESALE

MEN WOMEN – Start your own big profit Home Mail Order/World Trade Business! Plan based on my own success. I travel the world to discover 1000's exciting import product values you can turn into cash! No middlemen! You start with 24,221 products. Don't order from me. You buy direct. 100's new products every month. Special no investment Drop Ship opportunities. I'll send free Sample Import plus free report, "How to Import and Export." No obligation. No salesman will call. Write today. Mellinger, 6100 Variel, Woodland Hills, CA 91367 3775 Dept. S1453

THE WINNER

"Business Opportunities"
In
Money

For advertising rates and information call toll-free 800-237-9851; or in Florida 813-443-7666.

MONEY's "Business Opportunities" section is represented by Russell Johns Associates, Ltd.

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DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Six: "Employees"

INTRODUCTION: Unfortunately many small business poeple tend to measure success by the number of people they employ. This has to be addressed very early in the lesson. They should understand the work that goes into an employee that can't be figured on paper. i.e. Personal problems, financial problems, etc. The last 70 minutes of the session should be reserved for the Myers-Brigg's Type Indicator Test.

OBJECTIVES: At the end of this session participants will be able to:

A. Know the criteria for deciding whether they really need or can afford an employee.
B. Have a solid understanding of the hidden costs in employment.
C. Know the importance of having a good job description.
D. Know how to write their own job descriptions.
E. Understand the importance of delegating authority.
F. Make the offer to a prospective employee.
G. Send a letter of rejection.
H. Understand employee discipline.
I. Have a basic working knowledge of Unemployment Compensation.

MATERIALS	IDENTIFYING NUMBER
Sample, "Job Description"	IS# 032
Article, "Getting an Employee Off to a Good Start"	IS# 034
Job Applications	IS# 033
W-4 Forms	IS# 036
Employee Performance Form	IS# 063
Daily Feedback Form	Form F
Rules of Effective Criticism	IS# 035
Myers-Briggs Type Indicator Question Sheet	Handout

AGENDA/LESSON

(5 Min.) 1. Weekly Update

A. Results of last week's advertising search.
B. Show any exceptional ads.

(25 Min.) 2. Determining if there is a need for an employee. Some questions to ask ourselves.

A. Am I being unnecessarily excited over a recent sales rally, that may return to normal in a short time?
B. Am I trying to be a wheeler dealer?
C. Will it free me to expand into other areas?
D. Is there enough money to pay an employee?
E. Is there enough money to pay myself as well?
F. Can I survive over the first few months of poor performance while that employee is learning?

(15 Min.) 3. Job Descriptions (Student Participation)

A. Defining a job.
B. Handout a sample job description IS# 032.
C. What is the purpose of a job description?
D. Writing your own job description (this can be used as a legal document). There are six main areas to consider.
   1. Job Title
   2. Department
   3. Basic Function
   4. Organization
   5. Relationships (Who the employee works with.)
   6. Specific Responsibilities

(15 Min.) 4. Friends and Family as Employees

A. Why new businesses tend to do this type of hiring.
B. Pitfalls
C. Advantages

(15 Min.) 5. Hiring That Employee

A. What to look for on an application.
B. Handout and discuss sample application IS# 033.
C. How to check out references.
D. What you can and can't ask.
E. Handout IS# 034 - "Off to a Good Start".
F. What's a W-4 form.
G. Handout W-4 forms - IRS# 036.

AGENDA/LESSON

(5 Min.) 6. How to discipline an employee.

A. Document, document, document!
B. Assess the problems origin.
C. Discuss constructive criticism.
D. Pass out handout, "Rules of Effective Criticism" - IS# 035.

(5 Min.) 7. Employee Evaluations

A. What are they?
B. What are they for?
C. Benefits
D. Pass out IS# 063 - "Employee Performance Rating".
E. Discuss this form.

(15 Min.) 8. Break!

(? Min.) 9. Take "The Myers-Briggs Type Indicator". (Student Activity)

A. Distribute test.
B. Allow participants to leave when finished.

10. Home Assignment

A. Write your own job description and put into your notebook.

11. Self Evaluation.

A. Re-examine the class notes and make sure each subject was properly covered. Write down any questions for discussion at the following session.

February

JOB TITLE: Supervisor

DEPARTMENT: Real Estate

BASIC FUNCTION Charting, leasing, billroom, TAB, ordinances, billposters, taxes, attorneys, and permits

ORGANIZATION
Reports to: Manager

RELATIONSHIPS Work with sales people setting up poster showings. Contact property owners. Work with attorney on legal matters. Contact Building Inspectors, City employees, and County and State employees.

SPECIFIC RESPONSIBILITIES:

1. Chart all poster showings-maintain daily posting cards
2. Route billposters
3. Set up workable showings with salesmen
4. Bus depot for posters
5. Maintain billroom-log book
6. Prepare and maintain TAB
7. Work with company attorney regarding ordinances and legal matters
8. Monthly lease rental payments
9. Apply for local and state building permits
10. Maintain plant book
11. Company owned property book
12. Real Estate-personal property taxes
13. Ride showings with national representatives
14. Lease property for new locations

Get a new employe off to a good start

Most new employes show up on their first day, have their ID photos taken and go through a blur of introductions. Frequently, the boss assigns the training role to a subordinate and "orientation" to the personnel department.

Many bosses don't get involved again until the new employe has had a chance to settle in and "learn the ropes." Unfortunately, that can be too little, too late.

If you ask any employe what he or she wants to know when starting a new job, they'd probably say: "I want to know what the boss expects from me, and I want to know how I'll be evaluated."

To get your new employe started in the right direction, it's important to meet with him or her within the first few days. At this meeting, you can clarify the department functions, job duties and responsibilities, and policies and procedures. This is the boss' responsibility; it shouldn't be delegated.

The following is a checklist for the meeting, designed to get you both off on the right foot.

Department Functions:

- Goals and current priorities.
- Relationship to other departments, customers and jobs within your department.
- Organizational structure — who reports to whom.

Without this information, a new employe is bound to feel lost. Surprisingly, many bosses forget to spend enough time on these points, assuming the new employe will pick it up on his or her own.

Job Duties and Responsibilities:

- Give a detailed explanation of the job based on the current job description *and expected result.*
- Explain why the job is important and how the duties of the job affect the final result.
- Discuss some common problems and how to overcome them.
- Look at the performance-appraisal form. Tell your employe the purpose, frequency and mechanics of the appraisal process. Point out what you look for when evaluating performance. Be specific. Talk about salary increases and how they are earned.
- Explain work hours, vacations, holidays, tardiness and absenteeism policies, overtime requirements.
- Explain extra-duty assignments. For example, covering for an absent worker or cross-training required.
- Describe required reports and records. Define the deadline and explain why the reports are important and who uses them.
- Don't forget to tell your employe when and how to ask for help. New employes are often reluctant to ask for help because they're afraid of appearing foolish. Explain how *not* asking questions could hurt them.

JOAN LLOYD

Policies, Procedures, Rules and Regulations:

- Explain rules unique to the job and the department.
- Clarify eating and smoking rules in the department area. If not told about such rules, he or she could be embarrassed later.
- Point out policies on removal of things from the work area, department, company.
- Explain how to use the time clock or time log (if applicable).
- Explain the length and purpose of the probationary period (if applicable).
- Tell the new employe when lunchtime is and how long it lasts.
- Explain policies on making and receiving personal phone calls.
- Explain the job posting system (if there is one) and how reassignments are requested.
- Explain policies on reporting time off the job due to sickness, death in the family, vacations, etc.

Tour of Department and Introduction:

- Point out restrooms, time clocks, entrances and exits, break area, etc.
- Establish a friendly working environment by introducing the new employe to fellow workers and supervisory staff.
- Assign a veteran colleague to the new employe. The colleague can serve as a "sponsor."

When you spend time with your new employe, you're establishing a healthy precedent for discussions to follow. A new employe is eager and impressionable. Don't miss the opportunity to shape the beginning of a healthy career.

Joan Lloyd is the personnel development consultant at Northwestern Mutual Life Insurance Co. If you have a question you'd like her to address in this column, send it to: Joan Lloyd, Business News Desk, The Milwaukee Journal, P.O. Box 661, Milwaukee 53201. Space limitations do not permit responses to all questions. The views expressed here are Lloyd's own and not necessarily those of NML.

Joan Lloyd's columns are available in book

Career Tips and Tactics, a book of columns by Joan Lloyd that appeared in The Journal in 1983 and 1984, is available for $9.95 plus $1 for postage and handling. To obtain it, send a check or money order to Lloyd at 10425 W. North Ave., Suite 236, Wauwatosa, Wis. 53226.

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IS# 033

APPLICATION FOR EMPLOYMENT

(PRE-EMPLOYMENT QUESTIONNAIRE) (AN EQUAL OPPORTUNITY EMPLOYER)

PERSONAL INFORMATION

DATE _____

NAME _____ SOCIAL SECURITY NUMBER _____
LAST FIRST MIDDLE

PRESENT ADDRESS _____
STREET CITY STATE ZIP

PERMANENT ADDRESS _____
STREET CITY STATE ZIP

PHONE NO. _____ ARE YOU 18 YEARS OR OLDER Yes ☐ No ☐

LAST FIRST MIDDLE

SPECIAL QUESTIONS

DO NOT ANSWER **ANY** OF THE QUESTIONS IN THIS FRAMED AREA UNLESS THE EMPLOYER HAS **CHECKED** A **BOX PRECEDING** A QUESTION, THEREBY INDICATING THAT THE INFORMATION IS REQUIRED FOR A BONA FIDE OCCUPATIONAL QUALIFICATION, OR DICTATED BY NATIONAL SECURITY LAWS, OR IS NEEDED FOR OTHER LEGALLY PERMISSIBLE REASONS.

☐ Height _____ feet _____ inches ☐ Are you prevented from lawfully becoming employed in the U.S.? __Yes __No

☐ Weight _____ lbs ☐ Date of Birth* _____

☐ What Foreign Languages do you speak fluently? _____ Read _____ Write _____

☐ Have you been convicted of a felony or misdemeanor within the last 5 years?** Yes _____ No _____ Describe _____

*The Age Discrimination in Employment Act of 1967 prohibits discrimination on the basis of age with respect to individuals who are at least 40 but less than 70 years of age.

**You will not be denied employment solely because of a conviction record, unless the offense is related to the job for which you have applied

EMPLOYMENT DESIRED

POSITION _____ DATE YOU CAN START _____ SALARY DESIRED _____

ARE YOU EMPLOYED NOW? _____ IF SO MAY WE INQUIRE OF YOUR PRESENT EMPLOYER? _____

EVER APPLIED TO THIS COMPANY BEFORE? _____ WHERE? _____ WHEN? _____

EDUCATION	NAME AND LOCATION OF SCHOOL	*NO. OF YEARS ATTENDED	*DID YOU GRADUATE?	SUBJECTS STUDIED
GRAMMAR SCHOOL				
HIGH SCHOOL				
COLLEGE				
TRADE, BUSINESS OR CORRESPONDENCE SCHOOL				

*The Age Discrimination in Employment Act of 1967 prohibits discrimination on the basis of age with respect to individuals who are at least 40 but less than 70 years of age.

GENERAL

SUBJECTS OF SPECIAL STUDY OR RESEARCH WORK _____

U.S. MILITARY OR NAVAL SERVICE _____ RANK _____ PRESENT MEMBERSHIP IN NATIONAL GUARD OR RESERVES _____

TOPS FORM 3988 (84 3) (CONTINUED ON OTHER SIDE) LITHO IN U.S.A.

ER EMPLOYERS (LIST BELOW LAST FOUR EMPLOYERS, STARTING WITH LAST ONE FIRST).

DATE MONTH AND YEAR	NAME AND ADDRESS OF EMPLOYER	SALARY	POSITION	REASON FOR LEAVING
FROM				
TO				
FROM				
TO				
FROM				
TO				
FROM				
TO				

REFERENCES: GIVE THE NAMES OF THREE PERSONS NOT RELATED TO YOU, WHOM YOU HAVE KNOWN AT LEAST ONE YEAR.

	NAME	ADDRESS	BUSINESS	YEARS ACQUAINTED
1				
2				
3				

PHYSICAL RECORD:

DO YOU HAVE ANY PHYSICAL LIMITATIONS THAT PRECLUDE YOU FROM PERFORMING ANY WORK FOR WHICH YOU ARE BEING CONSIDERED? ☐ Yes ☐ No

IF YES, WHAT CAN BE DONE TO ACCOMMODATE YOUR LIMITATION? _____

PLEASE DESCRIBE: _____

IN CASE OF EMERGENCY NOTIFY _____

NAME ADDRESS PHONE NO

"I CERTIFY THAT THE FACTS CONTAINED IN THIS APPLICATION ARE TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND UNDERSTAND THAT, IF EMPLOYED, FALSIFIED STATEMENTS ON THIS APPLICATION SHALL BE GROUNDS FOR DISMISSAL.

I AUTHORIZE INVESTIGATION OF ALL STATEMENTS CONTAINED HEREIN AND THE REFERENCES LISTED ABOVE TO GIVE YOU ANY AND ALL INFORMATION CONCERNING MY PREVIOUS EMPLOYMENT AND ANY PERTINENT INFORMATION THEY MAY HAVE, PERSONAL OR OTHERWISE, AND RELEASE ALL PARTIES FROM ALL LIABILITY FOR ANY DAMAGE THAT MAY RESULT FROM FURNISHING SAME TO YOU.

I UNDERSTAND AND AGREE THAT, IF HIRED, MY EMPLOYMENT IS FOR NO DEFINITE PERIOD AND MAY, REGARDLESS OF THE DATE OF PAYMENT OF MY WAGES AND SALARY, BE TERMINATED AT ANY TIME WITHOUT ANY PRIOR NOTICE."

DATE _____ SIGNATURE _____

DO NOT WRITE BELOW THIS LINE

INTERVIEWED BY _____ DATE _____

HIRED: ☐ Yes ☐ No POSITION _____ DEPT. _____

SALARY/WAGE _____ DATE REPORTING TO WORK _____

PROVED: 1. _____ 2. _____ 3. _____

EMPLOYMENT MANAGER DEPT HEAD GENERAL MANAGER

This form has been designed to strictly comply with State and Federal fair employment practice laws prohibiting employment discrimination. This Application for Employment Form is sold for general use throughout the United States. TOPS assumes no responsibility for the inclusion in said form of any questions which, when asked by the Employer of the Job Applicant, may violate State and/or Federal Law.

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IS# 036

Form **W-4** (Rev. January 1985)

Department of the Treasury—Internal Revenue Service

Employee's Withholding Allowance Certificate

OMB No. 1545-0010
Expires: 11-30-87

1 Type or print your full name

2 Your social security number

Home address (number and street or rural route)

City or town, State, and ZIP code

3 Marital Status ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate

Note: If married, but legally separated, or spouse is a nonresident alien, check the Single box.

4 Total number of allowances you are claiming (from line F of the worksheet on page 2) . . . . . .

5 Additional amount, if any, you want deducted from each pay . . . . . $

6 I claim exemption from withholding because (see instructions and check boxes below that apply):

a ☐ Last year I did not owe any Federal income tax and had a right to a full refund of **ALL** income tax withheld, **AND**

b ☐ This year I do not expect to owe any Federal income tax and expect to have a right to a full refund of **ALL** income tax withheld. If both a and b apply, enter the year effective and "EXEMPT" here . . . ▶ Year

c If you entered "EXEMPT" on line 6b, are you a full-time student? . . . . . ☐ Yes ☐ No

Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or if claiming exemption from withholding, that I am entitled to claim the exempt status.

Employee's signature ▶ Date ▶ , 19

7 Employer's name and address (**Employer: Complete 7, 8, and 9 only if sending to IRS**)	8 Office code	9 Employer identification number

Detach along this line. Give the top part of this form to employer; keep the lower part for your records

Changes You Should Note.—The value of each withholding allowance has increased to $1,040 and the income tax brackets have expanded to reflect indexing. Therefore, income tax withholding has decreased. If you claim withholding allowances for deductions and credits, you should check to be sure that enough tax is being withheld.

Privacy Act and Paperwork Reduction Act Notice.—If you do not give your employer a certificate, you will be treated as a single person with no withholding allowances as required by law. We ask for this information to carry out the Internal Revenue laws of the United States. We may give the information to the Dept. of Justice for civil or criminal litigation and to the States and the District of Columbia for use in administering their tax laws.

Purpose.—The law requires that you complete Form W-4 so that your employer can withhold Federal income tax from your pay. Your Form W-4 remains in effect until you change it or, if you entered "EXEMPT" on line 6b above, until February 15 of next year. By correctly completing this form, you can fit the amount of tax withheld from your wages to your tax liability.

If you got a large refund last year, you may be having too much tax withheld. If so, you may want to increase the number of your allowances on line 4 by claiming any other allowances you are entitled to. The kinds of allowances, and how to figure them, are explained in detail below.

If you owed a large amount of tax last year, you may not be having enough tax withheld. If so, you can claim fewer allowances on line 4, or ask that an additional amount be withheld on line 5, or both.

If the number of withholding allowances you are entitled to claim decreases to less than you are now claiming, you must file a new W-4 with your employer within 10 days.

The instructions below explain how to fill in Form W-4. **Publication 505,** Tax Withholding and Estimated Tax, contains more information on withholding. You can get it from most IRS offices.

For more information about who qualifies as your dependent, what deductions you can take, and what tax credits you qualify for, see the Form 1040 Instructions.

You may be fined $500 if you file, with no reasonable basis, a W-4 that results in less tax being withheld than is properly allowable. In addition, criminal penalties apply for willfully supplying false or fraudulent information or failing to supply information requiring an increase in withholding.

Line-By-Line Instructions

Fill in the identifying information in Boxes 1 and 2. If you are married and want tax withheld at the regular rate for married persons, check "Married" in Box 3. If you are married and want tax withheld at the higher Single rate (because both you and your spouse work, for example), check "Married, but withhold at higher Single rate" in Box 3.

Line 4 of Form W-4

Total number of allowances.—Use the worksheet on page 2 to figure your allowances. Add the number of allowances for each category explained below. Enter the total on line 4.

If you are single and hold more than one job, you may not claim the same allowances with more than one employer at the same time. If you are married and both you and your spouse are employed, you may not both claim the same allowances with both of your employers at the same time. To have the highest amount of tax withheld, claim "0" allowances on line 4.

A. Personal allowances.—You can claim the following personal allowances:

1 for yourself, 1 if you are 65 or older, and 1 if you are blind.

If you are married and your spouse either does not work or is not claiming his or her allowances on a separate W-4, you may also claim the following allowances: 1 for your spouse, 1 if your spouse is 65 or older, and 1 if your spouse is blind.

B. Special withholding allowance.—Claim the special withholding allowance if you are single and have one job or you are married, have one job, and your spouse does not work. You may still claim this allowance so long as the total wages earned on other jobs by you or your spouse (or both) is 10% or less of the combined total wages. Use this special withholding allowance only to figure your withholding. Do not claim it when you file your return.

C. Allowances for dependents.—You may claim one allowance for each dependent you will be able to claim on your Federal income tax return.

Note: *If you are not claiming any deductions or credits or income averaging, skip D and E, add lines A, B, and C, enter the total on line F and carry the total over to line 4 of Form W-4.*

Note: *Before you claim allowances under D and E, total your non-wage taxable income (interest, dividends, self-employment income, etc.) and subtract this amount from estimated deductions you would otherwise enter in D1. If your non-wage income is greater than the amount of estimated deductions, you cannot claim any allowances under D. Moreover, you should take one-third of the excess (non-wage income over estimated deductions) and add this to the appropriate "A" value in Table 1 if determining allowances under E.*

D. Allowances for estimated deductions.—If you expect to itemize deductions, you may be entitled to additional withholding allowances. You may also use net losses shown on Schedules C, D, E, and F(Form 1040), the last line of Part II of Form 4797, any net operating loss carryover, charitable contributions for nonitemizers, and adjustments to income (such as IRA or Keogh contributions, employee business expenses, alimony payments, etc.). See Schedule A (Form 1040) for deductions you can itemize and see the Adjustments to Income section on page 1 of Form 1040 for a list of adjustments. Do not include reimbursed moving expenses or IRA contributions made by your employer unless income tax has been withheld on them by your employer. If no tax has been withheld on them and you claim additional allowances for them, you will be underwithheld. For details, see Publication 505.

The deduction allowed a married couple when both work is 10% of the lesser of $30,000 or the qualified earned income of the spouse with the lower income.

Once you have determined these deductions, enter the total on line D1 of the worksheet on page 2 and figure the number of withholding allowances for them.

E. Allowances for tax credits.—If you expect to take credits like those shown on the 1984 Form 1040 (child care, residential energy, etc.), use the table on the top of page 2 to figure the number of additional allowances you can claim. You may estimate these credits. Include the earned income credit only if you are not receiving advance payment of it. Also, if you expect to income average, include the amount of the reduction in tax because of averaging and any excess social security tax withheld when using the table.

BEST COPY AVAILABLE

EMPLOYEE PERFORMANCE RATING

IS# 063

All sections of this appraisal are to be completed and returned to Personnel.

Employee Name	Dept.	Position	Pay Rate	Date
Date of Employment				

A. GENERAL WORK HABITS:

	1	2	3	4	5	6	7	8	9
1. Quality of work									
2. Quantity of work									
3. Job knowledge									
4. Versatility									
5. Dependability									
6. Attitude									
	Needs Improvement			Satisfactory			Superior		

B. EMPLOYEE GOALS AND OBJECTIVES DISCUSSED:

1. _____

_____

2. _____

_____

3. _____

_____

C. GENERAL COMMENTS FOR THE RECORD:

_____

_____

_____

_____

_____

(continue on reverse side)

Interview conducted by _____ Date _____

Department head review by _____ Date _____

Executive review by _____ Date _____

PE-111 8/77

HANDOUT

RULES OF EFFECTIVE CRITICISM

- Stick to behavior, not just attitude. Make sure it is behavior that can be seen. Substantiate the situation, e.g., you were 15 minutes late for work in the last 3 days.
- Criticize as quickly and as soon after the mistake as possible. You can be more precise in decribing the situation, and the employee more clearly can remember what has happened. There will be less chance of it recurring. Early criticism will reduce tension and anxiety (especially if the individual knows he or she has done something wrong and anticipates criticism).
- Be specific when criticizing, and stay on the subject. Don't get sidetracked by justifications or sad tales. Managers sometimes get sidetracked by adding other criticism onto the original. For example, "This isn't the only time you...." Don't give the employee a whole laundry list of problems. Stick to the problem at hand.
- Get the employee's agreement. Spell out the problem so the employee knows exactly what it is and so that the employee can see that it does exist. Once you know the problem exists, or get agreement that it does, help look for solutions.

HOW TO TELL PEOPLE ABOUT THEIR WEAKNESSES

- Discuss the employee's strong and weak points.
- Concentrate on ways to improve.
- Get the employee's opinions about the causes of the performance problems.
- Avoid a "build-up, shoot down" situation. "You're great, BUT...." Why? You may lose your credibility on the good points.
- Discuss the employee's weak points as they relate to performance results.
- Help the employee understand how his or her level of performance affects the business as a whole.
- Let the employee know that you have confidence in his or her ability to improve.
- Let the employee know that you are available to assist and help as needed.

DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Seven: "Insurance/Legal Collections"

INTRODUCTION: At this point, you as the instructor may want to bring an attorney in as a guest speaker. Questions often get technical and an attorney's knowledge comes in handy. It also is nice for the class to hear a different voice from time to time.

OBJECTIVES: At the end of this class session participants will be able to:

A. Have a working knowledge of the basic types of insurances, related to business.
B. Define the needs of their business regarding insurance.
C. Understand the basics of collecting overdue accounts.
D. Determine when and how to use an attorney.
E. Understand and use the court system for small claims.
F. Know the cause and correction of delinquent accounts.

MATERIALS	IDENTIFYING NUMBER
"How to Choose an Attorney"	IS# 045
"What Your Attorney Should Know"	IS# 043
"Rental Lease Insurance Check List"	IS# 022
"What Your Insurance Agent Should Provide"	IS# 042
"How to Avoid Over or Under Insuring Your Business"	IS# 069
"Insurance Checklist for the Small Business"	
"Questions & Answers" Source: Western Insurance Company	IS# 071
Daily Feedback	Form F
Small Claims Form (Completed) Eau Claire County	IS# ~~072~~ 37
"Credit Collections" SBA by Cooke O'Neal	MA 232
"Handout for Small Business" Author - Jack Postlewaite, Attorney at Law	IS# 011

AGENDA/LESSON

(5 Min.) 1. Review last week's lessons and see if there are any questions. Also, ask if anyone has any current information on small business that might be of interest to the class participants.

(65 Min.) 2. List on the board (or overhead) the four essential coverages for a small business and explain each.

A. Fire
   1. Cash value of property at time of loss.
   2. Replace with material of like kind and quality.
   3. Take all property at the agreed or appraised value and reimburse you.
   4. Check your insurance policies, usually vacant, or unoccupied buildings are not covered if more than 60 days.
   5. Concealment or misrepresentation of information may void the policy.
   6. You can only collect the value of your property, no matter how many policies you carry.
   7. You may cancel anytime. However, insurance companies must give you five days notice in writing.

B. Liability
   1. Covers bodily injuries and personal injury, - i.e. libel, slander, etc.
      Discussion point: "You can be liable for the acts of others under contracts to you." This is why the city requires vendors to have insurance when doing work for them.
      Note! This is usually an area that creates tremendous discussion in the classroom. Be prepared for questions that start with, "What if I.....?"

C. Automobile Coverages
   1. Uninsured Motorists
   2. Collision
   3. Liability
   4. Fire & Theft

   Some interesting points for discussion on automobile insurance.
   a. You can be held responsbile if someone uses their car while working for you.
   b. Five or more vehicles are usually considered a fleet for insurance purposes.
   c. Wisconsin does not require owners of vehicles to carry insurance.
   d. Personal property involved in an auto accident is usually not covered i.e. Glass chandelier in the trunk during a rear-end collision.

D. Workers Compensation

Employers must provide employees with:
1. A safe place to work.
2. Hire competent fellow employees.
3. Provide safe tools and conditions.
4. Warn of existing dangers.

AGENDA/LESSON

Definition of Workers Compensation and what it does:
In the event of an injury, employees know their employers are carrying proper coverage. Rates are determined by the positions risk.
The state has fixed rates that determine your rate of payment. They average 0.1%/1,000.00 payroll for the least risk taking positions to 25% for the most hazardous. i.e. Crane operators.

(5 Min.) 3. Basic steps for good insurance management. List and discuss each.

A. Recognize your risks of exposure.
B. Buy economically.
C. Have a plan.
D. Get professional advice.
    1. Recognizing risks.
        a. Realize it <u>can</u> happen to you.
        b. Allow for special tools to complete those dangerous jobs.
    2. Buying economically.
        a. Study costs.
        b. Use as high a deductible as you can afford.
        c. Buy a "package" if possible.
        d. Review your package or coverage periodically.
            1) Look for:
                a) Adequate coverage.
                b) Best rate.

4. Have a plan.

A. Know your insurance needs.
B. Use one agent if possible.
C. Have meetings to prevent losses.
D. Keep good records.
E. Make sure all persons or partners understand the policy.

5. Getting professional advice.

A. Get an unbiased, but, knowledgeable agent.

6. Explain desirable coverages. (Desirable but may not be mandatory.)

A. Business interruption.
B. Crime Insurance.
C. Glass Insurance.
D. Loss of rent.
E. Key-mon Insurance.

AGENDA/LESSON

(15 Min.) 7. Break!

(15 Min.) 8. Distribute handout "What Your Attorney Should Know" - IS# 043.

A. Explain handout as you go through it.

(15 Min.) 9. Distribute handout "How to Choose An Attorney" - IS# 045.

A. Explain handout as you go through it.

10. Ask for any questions on previous subject before moving on.

(60 Min.) 11. Collecting overdue accounts.

A. Distribute and review handout "How to Collect Overdue Accounts" - IS# MA 232.
B. Types of deliquent accounts.
    1. Temporary:
        a. Misunderstanding of payment terms.
        b. Illness.
        c. Complaints with the merchandise.
    2. Chronic:
        a. Marital difficulties.
        b. Extended unemployment.
        c. Habitual spenders.
        d. No intention to pay.
        e. Unorganized bookkeeping.
C. How to prevent deliquencies:
    1. Don't grant credit.
    2. Ask for the money immediately.
    3. Get a payment commitment.
D. How to monitor and manage accounts receivable:
    1. Keep accurate records.
E. What to do when things to bad:
    1. Act promptly.
    2. Keep good records.
    3. Keep communication channels open.
    4. Define your objectives.
    5. Employ negotiations strategies.
F. If you have to get tough:
    1. Small claims court.
    2. Attorneys.
    3. Collection agencies--how they work.

HOW TO CHOOSE AN ATTORNEY

Practical Considerations

- Proximity of attorney to you/your business.
- Personal interaction between you and attorney.
- Proximity to your other advisors.
- Fees.

Professional Considerations

- Competency.
- Follow through.
- Attitudes towards "team."
- Areas of expertise.
- County Bar Association membership.
- Recommendation by other small business owners.

When Do You Need An Attorney?

- When you think you do.
- When you're not sure you do.
- When you are involved in any transaction where changes in form of ownership/tax considerations are involved.
- When leases and contracts are required.

How Attorneys Operate

- Billing -- Fees, Rates, Disbursements.
- Office Hierarchies.

WHAT YOUR ATTORNEY SHOULD KNOW

- Organization.
- Buying, selling, contracting, leasing.
- Financing and credit.
- Taxes.
- Compliance with federal, state, and local laws.
- Litigation.

WHAT YOUR ATTORNEY PROVIDES YOU

- Reviews.
- Counseling.
- Information.
- Representation.

WHAT YOUR ATTORNEY EXPECTS OF YOU

- Understanding that there are no easy answers.
- The truth.
- Clear instructions.
- Avoidance of "freebies".

CLIENT'S BILL OF RIGHTS

Clients have a right to expect:

- Confidentiality.
- Reasonable fees.
- Competence.

Clients have a right to:

- Full information.
- Ultimate authority in decision making.
- Termination.

IS# 042
HANDOUT

WHAT YOUR INSURANCE AGENT SHOULD PROVIDE

- A thorough insurance-oriented evaluation of your present and proposed business operations.
- A careful comparison of insurance alternatives.
- Negotiation of contracts for coverage where your needs justify a special word on your behalf.
- Administrative help in the establishment of simplified procedures within your business to handle necessary insurance paperwork.
- Sound advice on loss prevention
- Guidance in your compliance with the Occupational Safety and Health Act and the Environmental Protection Act.
- Assistance in claims processing.
- An annual review of your insurance program.

Source: Legal Handbook for Small Business, Marc J. Lane, AMACOM Book Division of the American Management Associations, copyright 1977, New York, NY.

RULES TO AVOID OVER OR UNDER INSURING YOUR BUSINESS

- Pinpoint your legal liability -- on contracts, leases, deliveries, all transactions.
- Assess nontransactional risks, too, such as any valuable artwork in your executive offices.
- Evaluate your overall susceptibility to business interruptions, whether from a fire, a machine breakdown, the loss of a key employee or supplier, or in the transportation network that supports you.
- Forecast your product liability to consumers, other users, and even nonusers. Remember that your implied and expressed warranties may be ripe for insurance backup.
- Once you have translated all this vulnerability into a dollar projection, step back: only a tiny fraction of the risks your business faces is insurable. Your insurance professional will sort out what you can insure from what you cannot, including the biggest risk of all, the risk of mismanagement.
- After you have learned what is insurable, forget all the inconsequential risks you don't need to cover; insuring against predictable small losses is an expensive indulgence.
- Avoid insuring any risk you can handle in some other way at less cost and effort.
- Don't let your purchase of all the coverage you need and can afford conclude your insurance planning. Even for the insured, any loss is, at best, an inconvenience; at worst, a disaster. Loss prevention, with the guidance of a professional, is central to enlightened risk management.

Source: Legal Handbook for Small Business, Marc J. Lane, AMACOM Book Division of the American Management Associations, copyright 1977, New York, NY.

The Western Insurance Companies

HOME OFFICE — FORT SCOTT, KANSAS 66701

AUTOMOBILE INSURANCE – SOME QUESTIONS AND ANSWERS

Please read and keep with your policy

Some of the more common questions policyholders ask about automobile insurance are:

HOW IS MY AUTOMOBILE POLICY RATED AND WHAT CAN I DO ABOUT IT?

CAN MY POLICY BE CANCELLED OR NON-RENEWED AND, IF SO, FOR WHAT REASONS?

WHAT ABOUT SERVICE IF I HAVE A CLAIM?

WHAT CAN I DO IF I BELIEVE I AM BEING TREATED UNFAIRLY?

The sale of automobile insurance in the State of Wisconsin is regulated by the Office of the Commissioner of Insurance. That office has requested that we provide our policyholders with basic information to help you understand how automobile insurance is priced and underwritten in this state. We hope that this information will be of assistance to you.

HOW IS MY AUTOMOBILE POLICY RATED AND WHAT CAN I DO ABOUT IT?

The regulation of automobile insurance prices in Wisconsin is based on the principle of open competition in a free market. While insurers may not refuse to sell you automobile insurance on the basis of such factors as age, sex, race or physical handicap, they do set their own rates and these rates are not subject to "prior approval" by the Commissioner's office. Insurers may develop significantly different rates for the same policyholder. These differences can reflect the level of losses of particular insurers, the efficiency of those insurers, or their judgement as to the importance of particular factors in automobile insurance rating.

Over the years, insurers have used many factors in rating policyholders (the most familiar being type of automobile, use of your vehicle, location and the age and sex of the driver). Not all insurers use the same factors or give them the same weight. As has been the case in the past, we may expect that the rating factors companies use will continue to change in the future.

Here are the principle factors which our company currently uses in developing automobile insurance rates. (Upon request we will be happy to provide a more detailed breakdown.)

USE OF VEHICLE: The more a vehicle is used, the more likely an accident will occur. A car used only for pleasure, therefore, is charged lower premiums compared to a car used daily in business or for driving to and from work.

Example: A typical comparison for the usual coverages results in a six-months premium of $202.24 for a vehicle used for "pleasure only" and $285.22 on a "business use" automobile.

TYPE OF VEHICLE: Higher priced cars cost more to repair so premiums for comprehensive and collision coverages are higher.

Example: A typical comparison between a Cadillac De Ville and a Chevette would be $205.64 for the Cadillac and $121.35 on the Chevette for comprehensive and collision coverages.

AGE OF VEHICLE: Newer cars cost more to repair so premiums for comprehensive and collision coverages are higher.

Example: Comprehensive and collision premiums for a current model Ford used for pleasure only will be approximately double that for a 6 year old ford.

GARAGING LOCATION (TERRITORY): Metropolitan and suburban areas are generally more traffic congested than are rural areas and this fact is reflected in their loss experience. A greater frequency of accidents, coupled with higher expenses for car repair, legal defense and medical care usually means higher premiums for policyholders in these locations.

Example: Following are examples of premiums for pleasure use vehicles based on typical policy coverages:

Territory 05 City of Maple Bluff – $176.76
Territory 10 City of Manitowoc – $203.27
Territory 14 City of Milwaukee – $256.33

AGE AND SEX OF DRIVER: A study by the Wisconsin Department of Transportation indicated that drivers under the age of 21 constituted 13% of the driving population and accounted for 25% of all accidents. Young men caused a higher proportion of these accidents than young women. As a result, young drivers are charged more than experienced drivers and young men significantly more than young women. Another factor that affects rates for young drivers is the use of the vehicle by the young driver as a part of the family. In those instances where the young driver is the principal operator, the rate charged is higher than the rate charged if the young driver only operates the family car on an occasional basis.

OFFICE OF CLERK OF COURTS
CHIPPEWA COUNTY

Roderick A. Cameron
Circuit Judge BR. I

Richard H. Stafford
Circuit Judge BR. II

Janet Rubenzer Anderl Clerk

P.O. Box 550
Chippewa Falls, Wisconsin 54729

Phone: (715) 723-1831
Extension 260

SMALL CLAIMS PROCEDURE

LIMIT:
The limit of Small Claims is $1,000.00

FILING:
Upon request, you will be furnished with a set of small claims forms. Please complete as per sample that is attached. Please sign, date and have your signature notarized and return to this office with the filing and service fees as indicated below. The Clerk will insert a Return Date and return a copy to you.

FILING FEE:
The filing fee for Small Claims is $12.00 plus service. When filing, please indicate the type of service you desire and add the cost of the service to the filing fee. You should then remit that total amount when filing your action.

SERVICE FEES:

Regular Mail	$2.00 per defendant
Certified Mail	$4.00 per defendant
Sheriff's Service	$8.00 per attempt plus 20 cents per mile

** Please note: Do not send Sheriff's fees to our office. The Sheriff's Department will bill you for their service.

When filing a Small Claims for MONEY JUDGMENT, you may select any of the above means of service.

When filing a RETURN OF PROPERTY action, you may only use Certified Mail or Sheriff's Service.

When filing an EVICTION, you are limited to Sheriff's Service Only.

RETURN DATE:
The Return Date is every Tuesday morning at 10:30 a.m. in the Clerk of Court's Office, Room #20. The Return Date is a date specified when the defendant is summoned to appear before the court to state whether or not he owes the claim in question. On this date, the plaintiff should appear in person. This will give the parties an opportunity to sit down and discuss the issues and possibly arrive at a settlement. If a settlement cannot be reached, the matter is placed on the court calendar for trial.

Once the matter is placed on the court calendar for trial, you will be sent a notice with the date, time and Judge assigned to hear your case.

First, the plaintiff will have the opportunity to present his case. The defendant will have the opportunity to cross examine all witnesses on their testimony. Once the plaintiff has presented his case, the defendant will have the opportunity to present all of his witnesses with the right of the plaintiff to cross examine. The trial is the time to bring all witnesses, documents and anything you feel YOU NEED TO PROVE OR DEFEND YOUR CASE. The court will make a decision based on the evidence before him.

SETTLEMENT:
Any time the parties wish to settle the issues rather than the court, they may do so on any term they both agree. Once an action is commenced ,the plaintiff is entitled to collect the filing fee and charges for service. Whenever an action is settled, the plaintiff and defendant must notify the court of such settlement in writing and request that said action be dismissed.

JUDGMENT:
A plaintiff may take judgment against a defendant when:
(1) The defendant fails to appear on the Return Date, or in the event he does appear and consents to entry of the judgment.
(2) After a trial where the court rules in favor of the plaintiff.

A defendant may take judgment against a plaintiff when:
(1) The plaintiff fails to appear for trial once a date has been set.
(2) The court rules in the defendant's favor either for dismissal or on a counterclaim.

DOCKET FEE:
There is a $1.00 fee for docketing a judgment against real estate.

LEGAL QUESTIONS:
Please consult an Attorney.

SHERIFF'S SERVICE:
Please consult the Sheriff's Department

PROCEDURE:
Contact the Clerk of Courts Office.

Janet Rubenzer Anderl
Clerk of Circuit Court

Victoria Woolever
Deputy Clerk of Small Claims

(SAMPLE)

STATE OF WISCONSIN CIRCUIT COURT Chippewa COUNTY	**SUMMONS AND COMPLAINT SMALL CLAIMS**	Case Number

PLAINTIFF (Name & Address)

John Doe
100 Christmas Drive
Chippewa Falls, WI 54729

vs

DEFENDANT (Name & Address)

TO: Jane Doe
200 Easter Lane
Chippewa Falls, WI 54729

WHEN TO APPEAR

DATE

TIME 10:30 a.m.

PLACE TO APPEAR

Chippewa County Court House
Clerk of Courts Office
711 N. Bridge Street
Chippewa Falls, WI 54729

TO THE DEFENDANT: You are being sued as described below.
If you wish to dispute this matter:

1. You must appear at the time and place stated on this form. (and/or)
2. You may file a written answer on or before the date and time stated on this form. (A duplicate copy must be provided to the plaintiff/attorney.)

If you do not appear or answer, a judgment may be granted to the plaintiff.

Clerk/Attorney (Signature)

Date Summons Issued	Date Summons Mailed

PLAINTIFF'S DEMAND

The plaintiff states the following claim against the defendant:

Plaintiff demands judgment for: (check as appropriate)

☒ MONEY $ 505.00 ☐ EVICTION ☐ RETURN OF PROPERTY

Plus interest, costs, attorney fees, if any, and such other relief as the court deems proper.

(Insert court costs , if known)

2. Brief statement of dates and facts:

On or about July 1, 1983 to July 20, 1983

Parts and labor: $500.00
Interest from 7-20-83 $5.00

$505.00 plus costs

☐ Mark box if additional information is attached.

Signature of Plaintiff/Attorney	Date	Law Firm & Address

VERIFICATION

Under oath, I state that the above complaint is true, except as those matters stated upon information and belief, and as to those matters, I believe them to be true.

I am: ☐ Plaintiff ☐ Attorney for the plaintiff

Subscribed and sworn to before me this date

(Signature of Plaintiff/Attorney)

(Notary Public, State of Wisconsin)

My Commission expires

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SC-500 1/85 WPB—MENOMONEE

Chapter 799

STATE OF WISCONSIN CIRCUIT COURT Chippewa COUNTY	SUMMONS AND COMPLAINT SMALL CLAIMS	Case Number

PLAINTIFF (Name & Address)

vs

DEFENDANT (Name & Address)

TO:

WHEN TO APPEAR

DATE

TIME [redacted]

PLACE TO APPEAR

Chippewa County Court House
Clerk of Courts Office
711 N. Bridge Street
Chippewa Falls, WI 54729

TO THE DEFENDANT: You are being sued as described below.
If you wish to dispute this matter:

1. You must appear at the time and place stated on this form. (and/or)
2. You may file a written answer on or before the date and time stated on this form. (A duplicate copy must be provided to the plaintiff/attorney.)

If you do not appear or answer, a judgment may be granted to the plaintiff.

Clerk/ (Signature)

Janet Rubenzer-Anderl

Date Summons Issued	Date Summons Mailed

PLAINTIFF'S DEMAND

The plaintiff states the following claim against the defendant:

1. Plaintiff demands judgment for: (check as appropriate)

☐ MONEY $ _____ ☐ EVICTION ☐ RETURN OF PROPERTY

Plus interest, costs, attorney fees, if any, and such other relief as the court deems proper.

2. Brief statement of dates and facts.

☐ Mark box if additional information is attached.

Signature of Plaintiff/Attorney	Date	Law Firm & Address

VERIFICATION

Under oath, I state that the above complaint is true, except as those matters stated upon information and belief, and as to those matters, I believe them to be true.

I am. ☐ Plaintiff ☐ Attorney for the plaintiff

Subscribed and sworn to before me this date

_____ _____
(Signature of Plaintiff, Attorney)

_____
(Notary Public, State of Wisconsin)

My Commission expires

SC 500 1 85 WPB—MENOMONEE

Chapter 799

IS# 037

State of Wisconsin EAU CLAIRE CIRCUIT COURT Small Claims Branch

Kettner Signs
219 E. Madison St. Eau Claire, WI 54703
Plaintiff & Address
-vs-
Eau Claire, WI 54703

S
ss.

Case No. 85 SC 16

SUMMONS & VERIFIED COMPLAINT

THE STATE OF WISCONSIN, to said defendant:

You are hereby summoned to appear and answer to the plaintiff's complaint at Circuit Court-Br 3 in the city of Eau Claire on the 15th day of August, 1985 at 8:30 o'clock in the ~~fore~~ noon. In case of your failure to appear to answer, a judgment may be rendered against you in accordance with the demand made by the plaintiff for a money judgment as described below.

Dated this 22nd day of July, 1985

Plaintiffs Attorney & Address

Eleanor C. Barrett-BG
CLERK OF COURT

NATURE OF DEMAND

The undersigned party plaintiff or his attorney does complain of the defendant and alleges for a cause of action that the defendant owes the plaintiff for goods or services sold or performed at the defendant's request or based on a written instrument as follows:

Date:

Lettered a sign for $63.00, defendant paid $40.00 and has a remaining balance of $23.00.

(include all payments or setoffs & attach rider if neccessary)

WHEREFORE the plaintiff demands judgment against the defendant in the sum of $ 23.00 and for the costs and the disbursements of this action.

Date 7/22/85

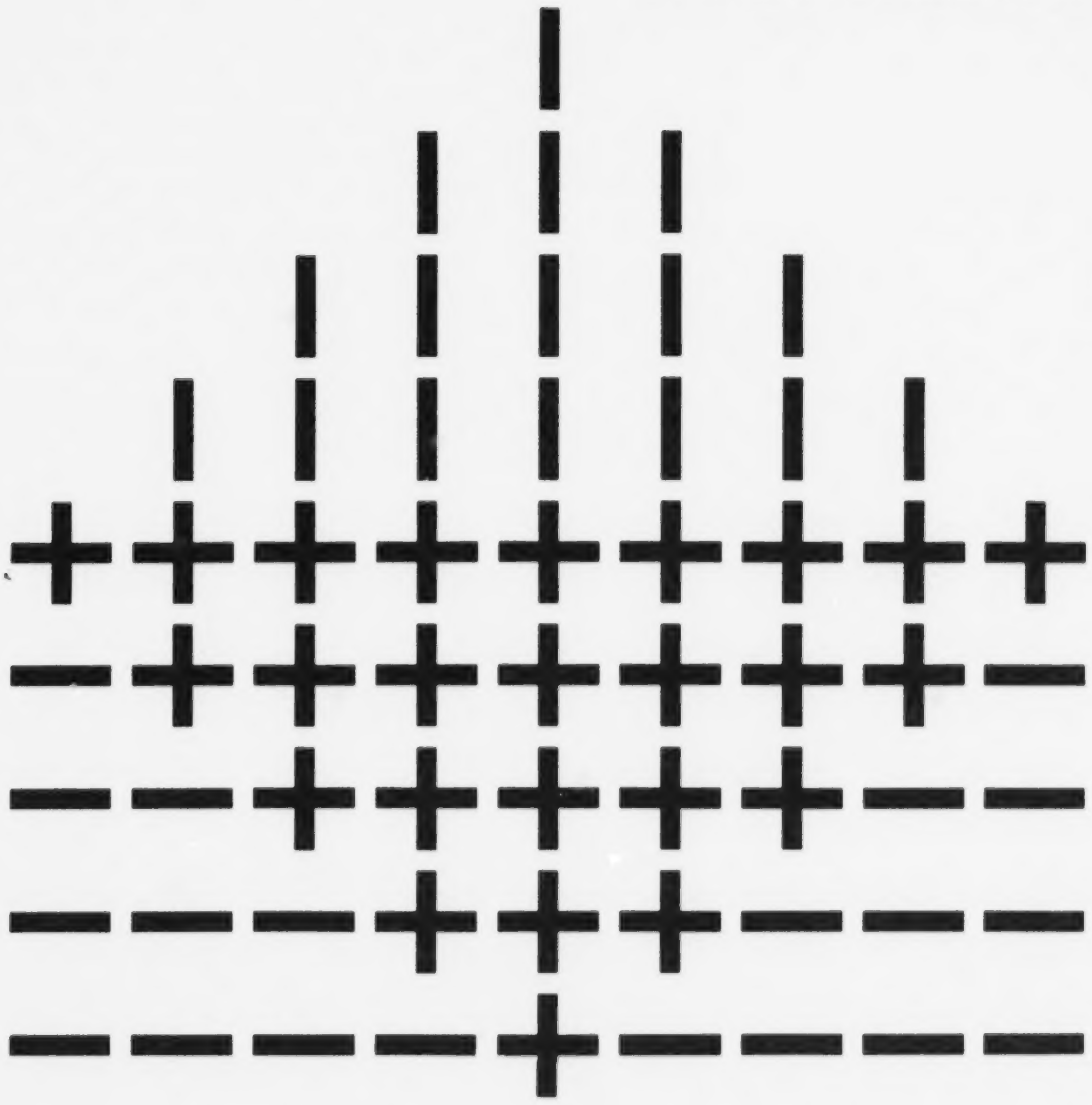
Richard A. Kettner
Plaintiff Attorney

ma 232

Management Aids for Small Manufacturers
U.S. Small Business Administration

Credit and Collections

By Cooke O'Neal — Vice President
National Association of Credit Management



Summary

The significance of credit in the phenomenal growth of commerce is well known. Practically all of the goods and services which make up the well-over one trillion dollar American Gross National Product move through the channels of distribution on credit. Credit, then, is a powerful, positive force. Like any powerful force, it must be managed.

This Aid presents an organized and sound approach to your credit and collection management function. It will help you turn credit into a positive force for your firm.

First Printed May 1977

If you are operating a manufacturing or wholesale business, your overall objective is probably to maintain or increase your profit. As with any other function of the business, the steps to organize and operate a credit and collection function must be made in conjunction with this profit objective and with the general policies and plans of the business.

An obvious statement of the objective of credit and collection would be to achieve the most sales with the least losses. The **Credit Management Handbook** (see For Further Information) expands the idea of credit management to include

1. formulating credit policies and practices, and
2. administering credit operations.

The objective of such activity is to

1. increase profits,
2. increase customer stability, and
3. protect the company's investment in accounts receivable.

(This investment in accounts receivable is often the largest single asset on the company's balance sheet.)

Credit Policy

Your credit policy may be written or unwritten. However, a written policy is more easily communicated to both your employees and customers.

Many factors and combinations of factors go into the formulation of a credit policy suitable for an individual company. Many of these factors originate and exist beyond your control. So, your credit policy must be flexible to compensate for these variables.

For example, some of these factors are current business conditions, industry credit practices, profitability of a product or service line, the company's competitive condition, and the credit policies of competitors.

Here are some other factors which will influence your company's credit policy:

1. Nature and size of business
2. Overall business objectives
3. General policy of the business

4. Product or service requirements
5. Channels of distribution
6. Classes of customers
7. Conditions of competition
8. Price of the product or service
9. Expectations of customers

Credit department policies may be generally characterized in several different ways, such as:

1. Liberal extension of credit with a liberal collection policy.
2. Liberal extension of credit with a strictly enforced collection policy.
3. Strict extension of credit with a collection policy adjusted to individual circumstances.

When the profit margin is high and the overall economy more stable, a liberal credit policy will allow a wide margin of acceptable credit risk. This may stimulate sales, but it may also result in increased collection costs, slower turnover of accounts receivable, and a greater exposure to bad debt loss. The accounts receivable and subsequent working capital position of your business can be hurt by lax collections.

On the other hand, a strict credit policy requires less collection effort and expense, and it minimizes bad debt loss. However, a strict credit policy curtails sales to marginal accounts, and profitable business may be lost. Also, too strict a collection policy may hamper good will.

Any policy you decide upon must be flexible. You must maintain a firm businesslike attitude with both your sales department and your customers. The terms of sale should be sound, consistent, practical, competitive, and clearly expressed. You should determine the credit period that can be permitted without detrimentally affecting your working capital and adhere to it as closely as possible.

Characteristics of a Good Credit Manager

The time will come, if it already hasn't, when you will have to consider hiring a credit manager. To decide on the characteristics the manager ought to have, first analyze the job. Credit management is a function that requires analytical ability, sound judgement, and tact. Unquestionably, the most important characteristics the credit manager should have is an understanding of and liking for people.

Since people are so important to the credit manager, he or she should be able to get along with other members of the business team. In addition, the credit manager should have the courage and self-confidence to make decisions and stand by them. Courtesy is also vitally important if the credit manager is to maintain the respect and confidence of customers and associates.

Write out the job specifications defining the qualities you desire in a potentional credit manager. The job specifications will then serve as a guide to selecting the proper person. If available, a college graduate who has majored in business administraton and has working knowledge of accounting and credit should make a good candidate. However, do not overlook the person who, through experience, has gained a sound knowledge of business practices and is determined to make a contribution to the success and profitability of the business. Both types would have fine potential for the position.

To do an effective job, the credit manager should be familiar with every phase of the business. He or she should

1. Know the sales policy and marketing objectives of your company
2. Be aware of marketing and sales characteristics of the competition
3. Be well informed and current on economic conditions and industry trends
4. Have knowledge and background in accounting to make accurate analysis and evaluations of customers' financial conditions
5. Be familiar with your product or service to help evaluate the customers' capabilities in developing their businesses while using that product or service.

There are also some special characteristics and abilities desirable in a credit manager. He or she should

1. Have initiative, adaptibility, and resourcefulness in order to function in new situations and changing conditions
2. Be emotionally stable with the ability to analyze problems thoroughly and to handle customer and internal relations diplomatically and firmly
3. Be effective and convincing in the ability to speak and write because of the ever important need to communicate
4. Be able to elicit and protect confidential information and exercise fairness in dealing with people
5. Be pleasing in appearance, speech, and personal behavior to be an ambassador of good will and representative of the firm.

Establishing Lines of Responsibility

Once you have determined the guidelines for selecting the proper person, you must then establish the objectives and policies for the credit department. The scope of authority, the responsibility involved, and your expectations must be thoroughly communicated and agreed upon by everyone involved.

Since the credit department falls under the financial function of the business and the fact that accounts receivable are only a step removed from cash itself, you should have the credit manager report directly to you or your financial officer (if you have one). This will alleviate conflict of authority The credit manager should be considered a member of the management team, and as such should participate in the development of credit policy with top management. The credit manager will need full authority to carry out the credit policy without undue interference from other department managers.

The sales manager and credit manager should be placed on equal management status to allow both to share in management judgements on common problems as they arise. Cooperation between the two departments is vital to the continued profitability of the company.

Location of Credit Department

The credit department will need ready access to the accounts receivable records and sufficient privacy to enable the credit manager to conduct customer visits and telephone calls without undue interruption or

noise. Some of the tools for performing the credit management function will include the accounts receivable ledger or computer printout, access to invoices and other billing documents, credit files, and, of course, the telephone and typewriter. These along with account lists, credit manuals, reference material, and any automated aids will enable the credit manager to perform his function efficiently.

Classification of Accounts

It is a good idea to classify your accounts according to credit risk, such as **good**, **fair**, or **weak**. You can determine these risks from the information gathered in the customer's credit file, trade reports, length of time in business, financial strength, and your previous credit experience with the customer.

Good credit risks may be placed on a preferred list for automatic approval within certain dollar limits. Periodic review of these accounts is usually sufficient.

Accounts classified as **fair** risks will require closer checking, particularly on larger amounts or if some slowness in payment is developing.

The **weak** accounts still represent acceptable credit risks. However, you must closely watch these accounts. Here is where the credit manager will spend most of his or her time. Such risks are usually those with good management and sales ability but with limited working capital.

A business that may be considered marginal by one company might not be viewed as such by another. The standard for accepting business of this type should be defined and set forth in your credit policy.

As an aid to credit approval, it is extremely helpful to establish a credit line for each customer. The credit line will act as a guide for approval of orders and is based on the customer's requirements and debt paying ability. The credit line should serve the customer's normal requirements.

The credit line represents the maximum amount of credits to be extended to the customer based on the customer's balance sheet and financial capacity. Both the credit line and the credit limit will need periodic review, based on changes in the customer's financial status and credit experience gained with the account.

If your business has its accounts receivable and order entry function on a computer, it is a relatively easy matter to program the limits into the system and create exception lists showing orders over the established limits. This eliminates the necessity of reviewing each and every order and can be expanded to list orders placed on accounts that have past-due balances also.

Credit Investigation

A primary cause for bad debt loss is a credit decision based on an inadequate credit investigation. Yet, prompt shipment of orders is essential. Your credit checking method should be geared for speed and efficiency to enhance the order flow.

The extent to which you investigate each customer's credit will vary with each case. You will want to consider

1. The size of the order and the potential for future orders.
2. The length of time the customer has been in business.
3. The status of the present account.
4. Whether the present product is seasonal and how it relates to

the products offered by competition.
5. Amount of time until delivery.
6. Relationship of the order to the total credit exposure of the customer
7. Whether the credit risk falls within the firm's credit policy.
8. If it is a special order, whether a deposit should be required or if it should be COD.

You will base your credit investigation primarily on past experience of the customer, both yours and the experience of other suppliers as well. Your own customer ledger file is the first place to look. This will give you payment history, high credit, and frequency of purchase.

The management background and experience of the firm is a very important factor in its ability to maintain a profitable business. This can be a deciding favorable factor when financial strength is somewhat light, often making the difference between a marginal and an unacceptable credit risk.

Information concerning bank dealings is always helpful as is trade experience from other suppliers. You can get this information in a number of ways. For new accounts, a complete credit application may be desired. Direct credit inquiry is a very effective way to gain the name of the customer's bank and trade references. Your salespeople are also a valuable source of information. Most suppliers and banks are very cooperative in exchanging credit information and they should be assured that the information obtained will be treated in the strictest confidence. Whenever possible, a financial statement should be obtained, usually directly from the customer, although such statements are available from the company prospectus if they issue one or are publicly held.

Outside Sources of Information

Valuable credit information is available from several outside sources. You should have a thorough knowledge of where to find these facts. Some of the sources are

1. NACM Credit Interchange Reports
2. NACM Industry Credit Groups
3. NACIS Reports
4. Dun & Bradstreet Reports
5. Special Industry Association Reports

Collection Procedures

The collection of outstanding receivables is as much a responsibility of the credit department as the investigation, evaluation, and approval of the customer's credit. The collection effort should include a systematic and regular follow-up. This is vital to establish credibility with the customer concerning the company's credit terms.

Time is the essence of credit and collections. The follow-up must be made on a timely basis in order to be effective. A timely, accurate, monthly-aged trial balance of the company's accounts receivable is a most valuable method of reviewing and controlling the collections as well as for reference when granting further credit.

Holding customer's orders when an account is past due is an extremely effective collection tool. Prompt contact with the customer, tactfully and courteously made, will generally produce results. It is important to respond rapidly in the event that the customer does clear his account so that unnecessary delays in shipping are avoided. It is essential, therefore, that the credit department and accounts receivable bookkeeper have close communication with each other.

Since the credit department is responsible for the protection of working capital along with the promotion of profitable sales, periodic review of these goals should be made. Simple reports can be made for review and a comparison on a month-to-month basis to establish trends for evaluation.

One such report is the monthly collection index. This is a percentage of collection during the month to receivables at the beginning of the month.

Another is the accounts receivable turnover period. This is normally expressed as Days Sales Outstanding and is computed as follows:

$$\frac{\text{Average A/R Balance Last 3 month-end} \times 90}{\text{Sales for Last 3 months}} = \text{Days Sales Outstanding}$$

When computed monthly, along with aging data, Days Sales Outstanding proves an excellent means for watching collection trends.

The aged trial balance and percentages of past due accounts also provide a measure of effectiveness, along with the bad debt loss experience for the fiscal period compared to previous years and other similar businesses in the industry.

Analysis of Results

It is not enough to simply compare the results of these various reports. The overall results of the credit function and collection efficiency must be judged in accordance with the sales and credit policy of the business, as well as with industry trends and economic conditions for the period.

Accurate records and reports will facilitate your evaluation of your credit and collection activities. If reports are prepared conscientiously and accurately, and if trends are observed and adjustments made when needed, your credit department will make a valuable contribution toward increased sales and profits for your company.

For Further Information

Readers who wish to explore this subject further may be interested in the references below. The list is necessarily brief. No slight is intended toward authors whose works are not mentioned.

Everyday Credit Checking by Sol Barzman. 1973. $6.95. National Association of Credit Management, 475 Park Avenue South, New York, New York 10016.

Using Credit to Sell More by Donald E. Miller. 1974. $5.95. National Association of Credit Management, 475 Park Avenue South, New York, New York 10016.

Credit Manual of Commercial Laws. Robert D. Goodwin, Lester Nelson, and George Kohlik, eds. 69th ed. 1976. $24.00. National Association of Credit Management, 475 Park Avenue South, New York, New York 10016.

Credit Management Handbook. William B. Abbott et al, eds. 1965. $16.00. Credit Research Foundation, 3000 Marcus Avenue, Lake Success, New York 11040.

The Dun & Bradstreet Handbook of Credit and Collections. Harold T. Redding and Guyon H. Knight III. 1974. $20.00. Thomas Y. Crowell Co., 666 Fifth Ave., New York, New York 10003.

Credit Management for the Office Manager by William H. Bryan. 1976. $1.90. National Association of Credit Management, 475 Park Avenue South, New York, New York 10016.

(Prices are subject to change.)

Copies of this Aid are available free from SBA, P.O. Box 15434, Fort Worth, TX 76119. Aids may be condensed or reproduced. They may not be altered to imply approval by SBA of any private organization, product, or service. If material is reused, credit to SBA will be appreciated. Use of official mailing indicia to avoid postage is prohibited by law. Use of funds for printing this publication approved by the Office of Management and Budget, March 20, 1975.

DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Eight: "Tax Obligations"

INTRODUCTION: Taxes and government paperwork are some of the items that tend to overwhelm a small business starting out, especially if they cannot afford an accountant. It's important to take this session slowly, and give them actual "hand on" experience.

OBJECTIVES: At the end of this session, participants will be able to:
A. Have a basic knowledge of types of taxes that affect small businesses.
B. Know the consequences of late or unpaid taxes.
C. Know the dates and requirements which govern tax obligations.
D. Have a working knowledge of withholding taxes for Federal, State and Social Security responsbilities.

MATERIALS	IDENTIFYING NUMBER
Copy of "Notice of Levy"	IS# 050
Copy of "Notice to File Lien"	IS# 050A
"Tax Guide for Small Businesses" Published by IRS Annually	Published Annually
Schedule of Payments Calendar	IS# 077
Movie - "The Business Environment and Government Regulations" - 30 Min. District One Technical Institute	Business File Program #22
Daily Feed Back Form	Form F
Information About Depositing Employment and Excise Taxes	IS# 064
Worksheet for Meeting Tax Obligations	IS# 065
"Steps in Meeting Your Tax Obligations" SBA	M.A. 1.013
Circular E "Employers Tax Guide" (IRS)	Publication 15 Dev. Jan., 1986
Wisconsin Employers Withholding Tax Guide	W166 (R. 1-86)
"Employers Quarterly Federal Tax Return" IRS Tax Form 941	IS# 072
"Withholding Work Sheet"	TA 100
"Taxes"	TA 200

AGENDA/LESSON

(5 Min.) 1. Tax Management
Explain the basic tax structure. Note! To manage taxes you must know that funds are available to pay taxes. Know in advance the amount due. Pay before the due date. Be willing to get advice from experts.

(80 Min.) 2. Basic Tax Structure
Federal Taxes (2 types best known)
Show teaching aid 100 on board or overhead.

A. Income
   1. Depend on earnings from company.
   2. Type of business organization, - sole, corp., etc.
      a. Sole owner pays like everyone else plus another form showing items of income and expense.
      b. Partnership - partnership files a return, and you as an individual file your share of profit.
      c. Corporation - fiscal year: pays taxes on its profits.
      d. Estimated - Form 1040ES - 4/15 - June 15 - Sept. 15 - Jan. 15

B. Withholding Income Taxes
   1. W-4 signed first - this is your authority as an employer to withhold from wages. At end you furnish W-2 to employee and IRS before 2/28.

C. Withholding Social Security
   1. Explain what Social Security is and how it started.
   2. You collect it - then you match it (or more) - then you send it in. To remit taxes you can use a Federal Tax Deposit Book.
      Present Rules - Less than $200/Qtr. - no deposit.
      More than $200/Qtr. but less than $200/month.

D. Excise Taxes - offset certain items and occupations.
   i.e. Beer, retail liquor dealers, diesel fuel.
   You must file quarterly on a Form 720.

E. Unemployment Taxes
   1. If you pay more than $1,500 in any calendar quarter OR if you had at least one employee for some portion of one-day in any twenty week period.
   2. Unemployment rate is based on taxable wages.
      State Taxes
      a. Income
      b. Withholding Income Tax
      c. Unemployment
      d. Saves Tax

AGENDA/LESSON

F. Local Taxes (Counties & Cities impose.)
   1. Real Estate
   2. Personal Property
   3. Tax on gross receipts.
   4. Licenses to do business are considered a tax.

(15 Min.) 3. Break!

(10 Min.) 4. What can happen if you ignore taxes?

A. Distribute "Notice to File Lien" - IS# 050A.
B. Distribute "Notice to Levy" - IS# 050.
C. Spend some time giving examples.

(30 Min.) 5. Withholding the taxes from wages. (Student Participation)

A. Distribute State and Federal Tax Guides.
B. Have students due problems from TA 200.
   Note! It is helpful if the instructor does one or two examples on the board before assigning the examples. These examples were used to show the variation that can occur between single status, married or with many dependents.
C. Review problems with them.

(30 Min.) 6. Show film #22.

A. Discuss any questions resulting from the film.

(10 Min.) 7. Distribute the following resource material with a brief explanation.

A. "Tax Guide for Small Businesses"
B. Worksheet for Tax Obligations - IS# 065.
C. Steps in Meeting Your Tax Obligations - IS# 066.

8. Home Assignment

A. None!

9. Self Evaluation

A. Re-examine the class notes and make sure each subject was properly covered. Write down any questions for discussion at the following session.

Department of the Treasury
Internal Revenue Service

P.O. BOX 8620
PRAIRIE VILLAGE, KS 66208

009784 309 3901 KPT 1S# 050A

If you have any questions, refer to this information:
Date of This Notice: 04-21-86 503 8619
Taxpayer Identifying Number: 39-13913 BU

Form	Tax Year Ended	Document Locator Number
941	12-31-85	09141-039-5250

EQU CLAIRE WI 54703

Call: 271-3780 LOCAL MILWAUKEE
or 800-424-1040 OTHER WI

Write: Chief, Taxpayer Assistance Section
Internal Revenue Service Center
P.O. BOX 8620
PRAIRIE VILLAGE, KS 66208

If you write, be sure to attach the bottom part of this notice.

WE HAVE PREVIOUSLY WRITTEN YOU ASKING FOR PAYMENT OF THE FEDERAL TAX IDENTIFIED BELOW, BUT WE HAVE NO RECORD OF RECEIVING IT. THE TAX IS OVERDUE AND THE LAW AUTHORIZES US TO FILE A NOTICE OF FEDERAL TAX LIEN AND SEIZE YOUR PROPERTY, WAGES, OR OTHER ASSETS TO SATISFY YOUR UNPAID TAX. THE TOTAL AMOUNT DUE INCLUDES INTEREST AND PENALTY AND SHOULD BE PAID IMMEDIATELY TO AVOID ADDITIONAL CHARGES.

MAKE YOUR CHECK OR MONEY ORDER PAYABLE TO THE INTERNAL REVENUE SERVICE, SHOW YOUR TAXPAYER IDENTIFYING NUMBER (SOCIAL SECURITY OR EMPLOYER IDENTIFICATION NUMBER) ON IT, AND SEND IT TO US WITH THE BOTTOM PART OF THIS NOTICE TO ASSURE PROMPT AND ACCURATE CREDIT. AN ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. IF THE TOTAL AMOUNT DUE AS SHOWN BELOW IS INCORRECT BECAUSE OF A RECENT PAYMENT OR OTHER ADJUSTMENT, PLEASE SEND ANY BALANCE DUE, AND ATTACH AN EXPLANATION OF THE DIFFERENCE.

IF YOU CANNOT SEND FULL PAYMENT, WRITE OR TELEPHONE US IMMEDIATELY. A PROMPT RESPONSE IS NECESSARY TO AVOID ENFORCED COLLECTION ACTION.

TAX FORM NUMBER	941
TAX PERIOD ENDED	12-31-85
BALANCE OF PRIOR ASSESSMENTS	¢564.36
LATE PAYMENT PENALTY	¢2.75
INTEREST	¢5.44
TOTAL AMOUNT DUE	¢572.55

ENCLOSURES:
ENVELOPE
PUBLICATION 594

If you have any questions, you may call or write -- see the information in the upper right corner of this notice. To make sure IRS employees give courteous responses and correct information to taxpayers, a second employee sometimes listens in on telephone calls.

See back of this notice for more information.
Keep this part for your records.

DETACH HERE

Form 8129 (Rev. 11-84)

Send this part with your payment or inquiry. Please correct any errors in your name, address, or taxpayer identifying number.

309 3901 KPT

Date of This Notice: 04-21-86 503 8619
Taxpayer Identifying Number: 39-1391361 BU

Form	Tax Year Ended	Document Locator Number
941	01 8512	09141-039-525

EQU CLAIRE WI 54703

391391361 BU KETT 01 2 8512 670 00000057255

155

Internal Revenue Service
P.O. BOX 8620
PRAIRIE VILLAGE, KS 66208

Amount You Owe ..... ¢572.55
Subtract Payments We Haven't Included .....
Pay Adjusted Amount ..... $

009784

000800 309 3901 RPT ACR IS# 050

Department of the Treasury
Internal Revenue Service P 901 310 189

Past Due
Final Notice (Notice of Intention to Levy)
Read Carefully

If you have any questions, refer to this information:
Date of This Notice: 04-21-86 504 8619
Taxpayer Identifying Number: 39-13913 BU

Form	Tax Year Ended	Document Locator Number
941	09-30-85	09141-306-763

EQU CLAIRE WI 54703

Call: 271-3780 LOCAL MILWAUKEE
or 800-424-1040 OTHER WI

Write: Chief, Taxpayer Assistance Section
Internal Revenue Service Center
P.O. BOX 8620
PRAIRIE VILLAGE, KS 66208

If you write, be sure to attach the bottom part of this notice.

ALTHOUGH NOTICES AND DEMAND HAVE BEEN MADE FOR PAYMENT OF YOUR FEDERAL TAX LIABILITY SHOWN BELOW, WE HAVE NO RECORD OF RECEIVING THE AMOUNT DUE. THIS IS YOUR FINAL NOTICE BEFORE WE PROCEED WITH ENFORCEMENT ACTION. THE PURPOSE OF THIS NOTICE IS TO INFORM YOU OF OUR INTENTION TO LEVY UPON YOUR PROPERTY OR RIGHTS TO PROPERTY IN ACCORDANCE WITH SECTION 6331 OF THE INTERNAL REVENUE CODE.

TO PREVENT SUCH ACTION, SEND US, WITHIN 10 DAYS FROM THE DATE OF THIS NOTICE, YOUR CHECK OR MONEY ORDER FOR THE TOTAL AMOUNT DUE, PAYABLE TO THE INTERNAL REVENUE SERVICE. SHOW YOUR TAXPAYER IDENTIFYING NUMBER (SOCIAL SECURITY OR EMPLOYER IDENTIFICATION NUMBER) ON IT AND ENCLOSE THE BOTTOM PART OF THIS NOTICE TO ASSURE PROMPT AND ACCURATE CREDIT. AN ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

IF YOU HAVE RECENTLY PAID THE AMOUNT DUE BUT YOUR PAYMENT HAS NOT BEEN CREDITED TO YOUR ACCOUNT, OR IF YOU CANNOT PAY THIS AMOUNT IN FULL, CONTACT THE OFFICE SHOWN ABOVE WITHIN 10 DAYS FROM THE DATE OF THIS NOTICE. THE TELEPHONE NUMBER IS SHOWN ABOVE.

IF WE DO NOT RECEIVE YOUR PAYMENT OR IF YOU DO NOT CONTACT OUR OFFICE, ENFORCEMENT ACTION MAY BE TAKEN AT ANY TIME AFTER 10 DAYS FROM THE DATE OF THIS NOTICE WITHOUT ANY FURTHER NOTICE TO YOU. A NOTICE OF FEDERAL TAX LIEN MAY BE FILED WHICH CONSTITUTES PUBLIC NOTICE TO YOUR CREDITORS THAT A TAX LIEN EXISTS AGAINST YOUR PROPERTY. SALARY OR WAGES DUE YOU MAY BE LEVIED UPON, AS PROVIDED BY SECTION 6331 OF THE INTERNAL REVENUE CODE, BY SERVING A NOTICE OF LEVY ON YOUR EMPLOYER. BANK ACCOUNTS, RECEIVABLES, COMMISSIONS, OR OTHER KINDS OF INCOME YOU HAVE ARE ALSO SUBJECT TO LEVY. PROPERTY OR RIGHTS TO PROPERTY, SUCH AS AUTOMOBILES, MAY ALSO BE SEIZED AND SOLD TO SATISFY YOUR TAX LIABILITY.

TAX FORM NUMBER	941
TAX PERIOD ENDED	09-30-85
BALANCE OF PRIOR ASSESSMENTS	$185.54
LATE PAYMENT PENALTY	$11.00
INTEREST	$25.02
TOTAL AMOUNT DUE	$221.56

Reply within 10 days to avoid enforcement action and additional penalties.

ENCLOSURES:
ENVELOPE

If you have any questions, you may call or write -- see the information in the upper right corner of this notice. To make sure IRS employees give courteous responses and correct information to taxpayers, a second employee sometimes listens in on telephone calls.

See back of this notice for more information.
Keep this part for your records.

↓ DETACH HERE ↓

Form 9136 (Rev. 12-84)

Send this part with your payment or inquiry. Please correct any errors in your name, address, or taxpayer identifying number.

309 3901 RPT
ACR

Date of This Notice: 04-21-86 504 8619
Taxpayer Identifying Number: 39-13913 BU

Form	Tax Year Ended	Document Locator Number
941	01 8509	09141-306-763

EQU CLAIRE WI 54703

3913913611 BU KETT 01 2 8509 670 00000022156

$221.56

Amount You Owe .....
Subtract Payments We Haven't Included .....
Pay Adjusted Amount ..... $

Internal Revenue Service
P.O. BOX 8620
PRAIRIE VILLAGE, KS 66208

156

0000000

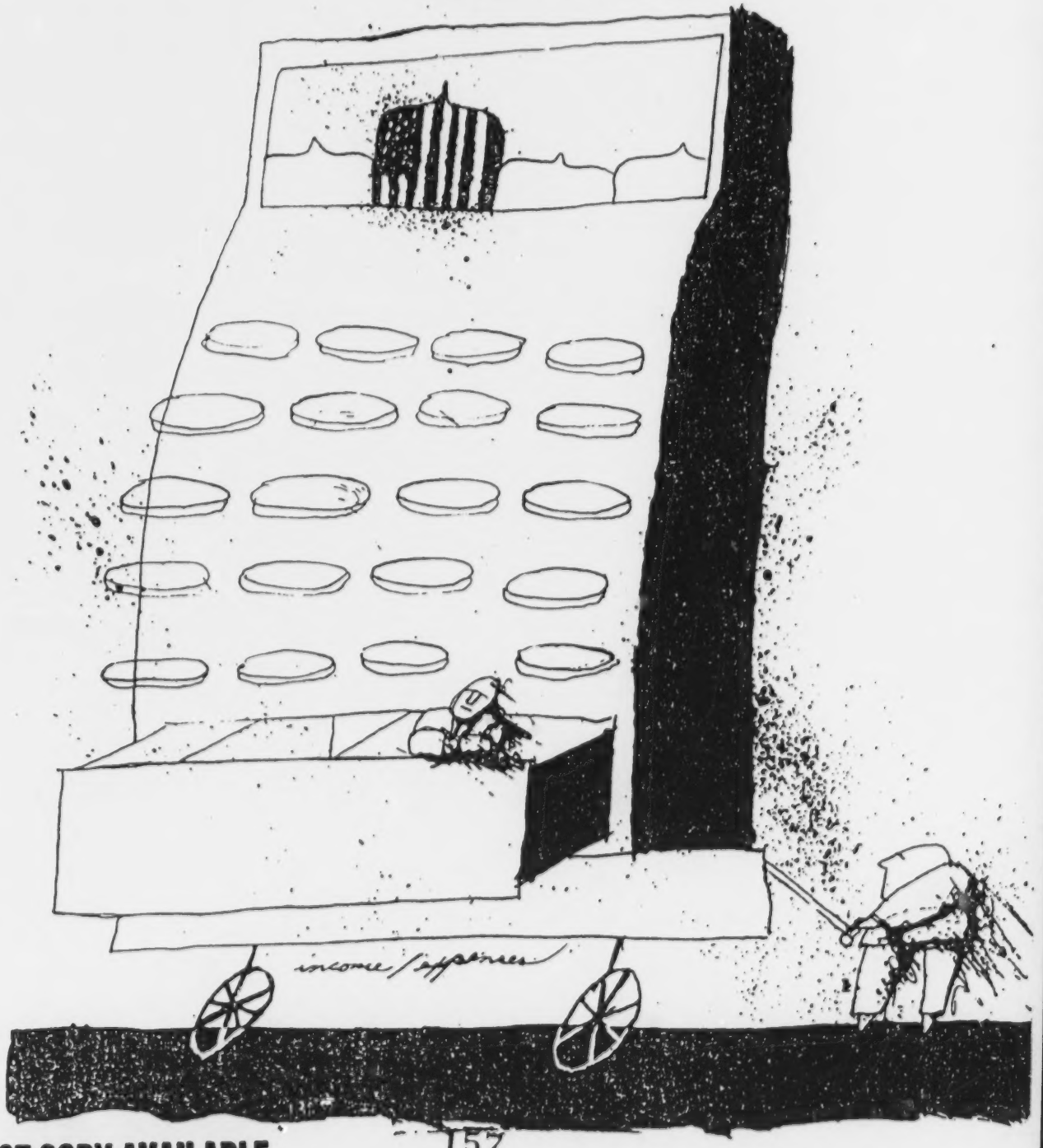
Department of the Treasury Internal Revenue Service

Tax Guide for Small Business

Income, Excise, and Employment Taxes for Individuals, Partnerships, and Corporations

For use in preparing
1985 Returns

Publication 334 (Rev. Nov. 85)



BEST COPY AVAILABLE

IS# 077

WISCONSIN ASSOCIATION OF
Manufacturers & Commerce
YOUR STATE CHAMBER OF COMMERCE and MANUFACTURERS ASSOCIATION
111 East Wisconsin Avenue, Milwaukee, Wisconsin 53202 Phone: 1-414-271-9428

CALENDAR

DATES OF TAX PAYMENTS AND REPORTS OF MAJOR FEDERAL, STATE AND LOCAL TAXES

INTRODUCTION

This tax calendar covers the major federal, state and local taxes affecting most businesses in Wisconsin. Included are withheld income taxes, social security taxes, corporation income taxes, sales taxes, unemployment taxes, and local property taxes. The income tax dates in this report are for corporations and are based on a calendar year. Tax dates for personal income taxes and for income taxes for businesses operating as single proprietorships or partnerships are not included. Because the calendar is intended for general business taxes, special taxes that apply to a particular business, such as insurance or utility taxes, are not included. However, general information about federal excise taxes is provided in Note E on the back page. Other general notes also are on that page.

The listings are chronological, first by month and then date. If there are several entries for the same date, the order is: federal, Wisconsin and local. The date shown is the due date. If this date falls on a Saturday, Sunday or holiday, the due date is the first business day following. Timeliness of payment or report generally is based on date of postmark.

For some taxes, the money and the report are sent together. In other cases, the timing is different, with deposits made before a return is due. All tax deposits of federal taxes are made through the use of the Federal Tax Deposit Coupon Book (Form 8109). A separate coupon must be used for each tax, with the type of tax indicated on the coupon.

DEPOSIT SCHEDULE FOR FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES WHERE EMPLOYER MUST DEPOSIT MORE FREQUENTLY THAN MONTHLY IS FOUND IN "NOTE A" ON THE LAST PAGE.

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly or quarterly (see Note A).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

WISCONSIN CORPORATE INCOME TAX. Payment of 4th quarter estimated tax for calendar-year corporations (4-ES).

WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Returns. Quarterly return for 4th quarter (941) and annual return for calendar year (943). Due dates may be extended to February 10 if deposit due was made in full and on time.

FEDERAL INCOME TAXES - Annual information returns. Furnish wage and tax statement (W-2) to employes and statement of interest, dividends, etc. (1099), to recipients.

FEDERAL UNEMPLOYMENT TAX. Annual tax return for previous year (940) and payment (Federal Tax Deposit Coupon). Note: Due date for return (940) may be extended to February 10 if deposit due on January 31 was made in full and on time.

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly, monthly, quarterly or annually (see Note B).

WISCONSIN INCOME TAX - Annual information return. Furnish employer's annual reconciliation of Wisconsin income tax withheld from wages (WT-7), including copy 1 of the wage and tax statement (W-2).

WISCONSIN SALES TAX. Payments for sellers making monthly, quarterly or annual deposits (see Note C).

WISCONSIN UC TAX. Payment for 4th quarter (UC 101).

LOCAL PROPERTY TAXES. See Note D.

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly (see Note A).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

FEDERAL INCOME AND SOCIAL SECURITY TAXES - Annual information returns. Furnish to Social Security Administration Form W-3 (Transmittal of Income and Tax Statements) and copy A of Form W-2 (Wage and Tax Statement).

FEDERAL INCOME TAXES - Annual information return. Furnish to IRS information on 1099's (interest, dividends, etc.). using Form 1096 (Annual Summary and Transmittal of Information Returns).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly or monthly (see Note B).

WISCONSIN SALES TAX. Payment for sellers making monthly deposits (see Note C).

LOCAL PROPERTY TAXES (except Milwaukee). See Note D.

MARCH

1 LOCAL PROPERTY TAXES. Statement of personal property form to be filed with county or local assessor.

LOCAL PROPERTY TAXES - Manufacturers. Summary of real estate changes (Form M-R) and summary of personal property and leased personal property (Form M-P and Form M-L) to be filed with state manufacturing property assessment district office.

15 FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly (see Note A).

FEDERAL CORPORATE INCOME TAX - Annual return (1120 or 1120A) for calendar-year corporations. For companies not on a calendar tax year, due date is the 15th day of the 3rd month after the end of the tax year.

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

WISCONSIN INCOME TAX - Annual information return. Furnish copies of 1099's (interest, dividends, etc.). No separate transmittal form.

WISCONSIN CORPORATE INCOME TAX. Income/franchise tax annual return for calendar-year corporations (Form 5 - "short" form; Form 4 "long" form). For companies not on a calendar tax year, due date is the 15th day of the 3rd month after the end of the tax year.

WISCONSIN CORPORATE INCOME TAX. Payment of 1st quarter estimated tax for calendar-year corporations (4-ES). For companies not on a calendar tax year, due date is the 15th day of the 3rd, 6th and 9th months of the fiscal year and the 15th day of the month following the close of the year.

20 WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

31 WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly or monthly (see Note B).

WISCONSIN SALES TAX. Payment for sellers making monthly deposits (see Note C).

15 FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly or quarterly (see Note A).

FEDERAL CORPORATE INCOME TAX - Payment of 1st quarter estimated tax for calendar-year corporations (Federal Tax Deposit Coupon). For companies not on a calendar tax year, due date is the 15th day of the 4th, 6th, 9th and 12th months of the tax year.

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

20 WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

30 FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Return. Quarterly return for 1st quarter (941). Due date may be extended to May 10 if deposit due was made in full and on time.

FEDERAL UNEMPLOYMENT TAX. Tax for 1st quarter if undeposited tax exceeded $100 at end of previous month (Federal Tax Deposit Coupon).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly, monthly or quarterly (see Note B).

WISCONSIN SALES TAX. Payment for sellers making monthly or quarterly deposits (see Note C).

WISCONSIN UC TAX. Payment for 1st quarter (UC 101).

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly (see Note A).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly or monthly (see Note B).

WISCONSIN SALES TAX. Payment for sellers making monthly deposits (see Note C).

[redacted]

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly (see Note A).

FEDERAL CORPORATE INCOME TAX. Payment of 2nd quarter estimated tax for calendar-year corporations (Federal Tax Deposit Coupon).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

WISCONSIN CORPORATE INCOME TAX. Payment of 2nd quarter estimated tax for calendar-year corporations (4-ES).

WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly or monthly (see Note B).

WISCONSIN SALES TAX. Payment for sellers making monthly deposits (see Note C).

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FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly or quarterly (see Note A).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Return. Quarterly return for 2nd quarter (941). Due date may be extended to August 10 if deposit due was made in full and on time.

FEDERAL UNEMPLOYMENT TAX. Tax for 2nd quarter if undeposited tax exceeded $100 at end of previous month (Federal Tax Deposit Coupon).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly, monthly or quarterly (see Note B).

WISCONSIN SALES TAX. Payments for sellers making monthly or quarterly deposits (see Note C).

WISCONSIN UC TAX. Payment for 2nd quarter (UC 101).

LOCAL PROPERTY TAXES (except Milwaukee). See Note D.

[redacted]

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly (see Note A).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly or monthly (see Note B).

WISCONSIN SALES TAX. Payments for sellers making monthly deposits (see Note C).

[redacted]

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For Employers depositing monthly (see Note A).

FEDERAL CORPORATE INCOME TAX. Payment of 3rd quarter estimated tax for calendar-year corporations (Federal Tax Deposit Coupon).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

WISCONSIN CORPORATE INCOME TAX. Estimated payment for 3rd quarter for calendar-year corporations (4-ES).

WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly or monthly (see Note B).

WISCONSIN SALES TAX. Payments for sellers making monthly deposits (see Note C).

[redacted]

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly or quarterly (see Note A).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

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WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Return. Quarterly return for 3rd quarter (941). Due date may be extended to November 10 if deposit due was made in full and on time.

FEDERAL UNEMPLOYMENT TAX. Tax for 3rd quarter if undeposited tax exceeded $100 at end of previous month (Federal Tax Deposit Coupon).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly, monthly or quarterly (see Note B).

WISCONSIN SALES TAX. Payments for sellers making monthly or quarterly deposits (see Note C).

WISCONSIN UC TAX. Payment for 3rd quarter (UC 101).

NOVEMBER

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly (see Note A).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly or monthly (see Note B).

WISCONSIN SALES TAX. Payments for sellers making monthly deposits (see Note C).

DECEMBER

FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES - Deposit. For employers depositing monthly (see Note A).

FEDERAL CORPORATE INCOME TAX. Payment of 4th quarter estimated tax for calendar-year corporations (Federal Tax Deposit Coupon).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly (see Note B).

WISCONSIN SALES TAX. Payment for certain sellers making monthly deposits (see Note C).

WISCONSIN WITHHELD INCOME TAXES. Payment for employers depositing semimonthly or monthly (see Note B).

WISCONSIN SALES TAX. Payments for sellers making monthly deposits (see Note C).

NOTES

NOTE A – FEDERAL WITHHELD INCOME AND SOCIAL SECURITY TAXES (Federal Tax Deposit Coupons, Form 8109)

If the Accumulated Unpaid Liability is:	Then the Deposit Payment Must Be Made:
$3,000 or more at the end of the 3rd, 7th, 11th, 15th, 19th, 22nd, 25th, or the last day of the month	Within 3 banking days thereafter
$500 or more but less than $3,000 at the end of any month in a quarter	Monthly, due by 15th day of following month
Less than $500 at the end of the quarter	Quarterly, due by last day of following month

NOTE B – WISCONSIN WITHHELD INCOME TAXES (Form WT-6)

If Amount Withheld is:	The Reporting Period and Filing Dates Are:
$5,000 or more in any calendar quarter	Semimonthly, on 15th and last day of month
More than $300 but less than $5,000 in any calendar quarter	Monthly, on last day of following month
Not more than $300 in any calendar quarter but $50 or more per month	Quarterly, on last day of April, July, October and January
Less than $50 per month	Annually, on January 31

Notes: For employers filing more frequently than annually, the Department of Revenue furnishes a coupon booklet containing all the forms, instructions and due dates for the following calendar year. For employers filing annually, the department sends the forms at the end of each calendar year. The department also will notify employers if there is any change in the frequency of filing.

NOTE C – WISCONSIN SALES TAX (Form ST-12)

If the Liability for Sales Tax Collections is:	The Reporting Period and Filing Dates Are:
$3,600 or more in any calendar quarter	Monthly, on 20th of following month
More than $600 but less than $3,600 in any calendar quarter	Monthly, on last day of following month
Not more than $600 in any calendar quarter but at least $300 per year	Quarterly, on last day of April, July, October and January
Less than $300 per year	Annually, on January 31

Notes: The Department of Revenue furnishes each seller with a return, instructions and due date at the end of their reporting period. The department also will notify sellers if there is any change in the frequency of filing.

NOTE D – LOCAL PROPERTY TAXES

Real estate taxes may be paid either in full by the last day of February (last day of January in the city of Milwaukee) or in installments. Personal property taxes must be paid in full by the last day of February (Milwaukee allows installments). See property tax bill or check with the municipal treasurer for installment schedule.

NOTE E – FEDERAL EXCISE TAXES

Tax Deposits (FTD Coupons)

If Excise Tax Liability is:	Tax Must Be Deposited:
$2,000 or more per month	Semimonthly, on 9th (for 16th through end of previous month) or 24th (for 1st through 15th of current month)
$100 or more but less than $2,000 per month	Monthly, on last day of following month
Less than $100 per month	Quarterly, on last day of April, July, October and January

Tax Returns (Form 720)

- Quarterly returns are due the last day of the month following the end of the quarter. If deposits are made on time, the due date may be extended to the 10th of the following month.

Information About Depositing Employment and Excise Taxes

Department of the Treasury
Internal Revenue Service
Notice 109 (Rev. 2-84)

Certain employment and excise taxes are to be deposited periodically in an authorized financial institution or the Federal Tax Department of the Federal Reserve Bank for your area.

You can help us avoid errors in crediting deposits to your tax accounts. Please use the Federal tax deposit coupon and mark the correct type of tax and tax period.

Where to get Federal tax deposit forms

If you are a new employer, you will be assigned an employer identification number (EIN) and receive a business tax kit explaining your tax requirements. Within 2-3 weeks of receiving the kit, you should receive an initial supply of Federal tax deposit coupons. After that, additional coupon books will be provided only on a reorder basis. If you have branch offices that make tax deposits, you should send them some of your deposit coupons. There will be no more periodic mailouts of Federal tax deposit forms.

How to request additional deposit forms

If you need coupons, request them immediately by calling IRS or by writing any IRS office. If you write, you can use the reorder form (Form 8109A) provided in the coupon book. Enter the number of books you require. If you do not have a preprinted form, your request should show your name, address, employer identification number and the month in which your fiscal year ends if you are required to file Form 1120, 990-C, or 990-T.

Remember: There are 15 coupons per book, for use in depositing any type of tax for any tax year.

You should receive the requested coupons in approximately 3 weeks. (BE SURE TO REQUEST ADDITIONAL FORMS EARLY ENOUGH TO MAKE YOUR DEPOSITS ON TIME.)

Verify the identifying information on the deposit coupon

Please be sure your preprinted deposit coupons show the proper identifying information. Never use another taxpayer's preprinted deposit form. That taxpayer will receive credit for your payment and you may be billed for taxes you have paid.

Should your employer identification number or business name be incorrect, place an "x" in the space provided on the deposit coupon when making your next payment and indicate the correct information. Submit the form and check to an authorized Federal tax depositary. New coupons will be provided to you in 2-3 weeks.

If your address is not correct, continue to use the coupons you have. Indicate a change of address only when reordering by placing an "x" on the reorder form in the space provided. Indicate the correct information.

Where and how to make deposits

Mail or deliver the completed coupon together with your check or postal money order for the amount of deposit to a qualified depositary for Federal taxes or to the Federal Tax Department of the Federal Reserve Bank or Branch (FRB) servicing your geographic area. Remittance should be made payable to that depositary or FRB. Federal agencies will make deposits at the FRB's only. Do not combine deposits for different types of tax or for more than one tax period. Separate deposits must be made for each type of tax and for each quarter.

State and local governments and their agencies should follow these rules for Federal income tax withheld, but not for social security contributions they send to the State agency designated to receive them.

Note: Deposits at Depositaries—Authorized depositaries are required to accept from a taxpayer cash, postal money order drawn to the order of the depositary or a check or draft drawn on and to the order of the depositary. If you want to make a tax deposit with a depositary by a check drawn on another financial organization, you may do so only if the depositary is willing to accept that payment as a deposit of Federal taxes.

Note: Deposits at FRB's—If you want to make a deposit by check at an FRB, you must make that deposit with the FRB servicing your geographic area with a check or other payment instrument for which immediate credit is given in accordance with the check collection schedule of the receiving FRB. Checks generally considered as immediate credit items at an FRB include, but are not limited to, checks drawn on commercial banks located in the same city as the receiving FRB. Information concerning the FRB servicing your area and checks which are considered by that FRB as immediate credit items can be obtained from FRB's and commercial banks.

Bank business day (daily cut-off time)

Depositaries may have a special daily cut-off-time. Only deposits received before the cut-off-time will be recorded that day. If you make a deposit in person on the date it is due, be sure you make it before the daily cut-off-time.

Timeliness of Deposit

The timeliness of deposits will be determined by the date received by an authorized depositary.

All deposits made at an FRB will be dated on a collection basis. However, deposits made at an FRB with a payment instrument which complies with the payment requirements stated above will be considered timely if received by the FRB on or before the due date. For deposits made at an FRB which are not in compliance with payment requirements, the date on which the funds are collected shall determine timeliness of deposit regardless of when mailed.

Federal tax deposit penalties

You may be charged a penalty for not making deposits when due or in sufficient amounts, unless you have reasonable cause. The penalty is 5 percent of the underpayment.

If, on your return, you overstate the amount you deposited, you may be charged a penalty of 25 percent of the overstated amount.

IS# 065

WORKSHEET FOR MEETING TAX OBLIGATIONS

This worksheet is designed to help the owner-manager to manage his firm's tax obligations. You may want your accountant or bookkeeper to prepare the worksheet so you can use it as a reminder in preparing for and paying the various taxes.

Kind of Tax	Due Date	Amount Due	Pay to	Date For Writing The Check
FEDERAL TAXES				
Employee Income Tax and Social Security Tax				
Excise Tax				
Owner-Manager's and/or corporation's income tax				
Unemployment Tax				
STATE TAXES				
employment Taxes				
ncome Taxes				
Sales Taxes				
ranchise Tax				
)ther				
OCAL TAXES				
.a' Tax				
eal Estate Tax				
ersonal Property Tax				
censes (retail, ending machine, etc.)				
ther				

U.S. Small Business Administration
Management Assistance
Support Services

Management Aids
Number 1.013

SBA

Steps in Meeting Your Tax Obligations

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Bayamon, Puerto Rico

Summary

A well managed business never should have any problems in meeting its tax obligations. Its owner will have developed an informed and systematic approach to handling Federal, State, and local taxes. This Aid explains the various factors in such an approach.

It also points out that the owner-manager is an agent, collecting taxes such as Social Security and State and local sales taxes. At the same time, the owner-manager is a debtor, owing taxes for income tax and personal property tax.

"TAXES" is a scare word for many small retailers. "I'm always filling out forms and paying one kind of tax or another," some of them say.

"Taxes slip up on me. It's hard to pay them on time," others say.

Yet the word "taxes" need not call up nightmares of anxiety and confusion any more than "accounts payable" does. Just as good management keeps its "accounts payable" under control so can it keep "taxes" from getting out of hand.

Manage Taxes

The owner-manager of a successful retail store or service shop takes care of bills by doing certain things:

1. You know in advance the amount and due date of bills.
2. You make sure that funds are on hand for paying the bills.
3. You pay bills on or before the due date in order to get the discounts offered by your suppliers.
4. You get expert advice to keep abreast of new developments that may make bill paying more efficient.

When you apply these same principles to meeting your tax obligations, they mean that:

1. You know your tax liability. What kind of taxes do you have to pay? How much are they in dollar amounts? When are they due?
2. You set aside the funds necessary to pay various tax bills.
3. You pay taxes on time to avoid penalties for late payment.
4. You get advice from experts, such as an accountant, lawyer, or tax counselor.

Agent And Debtor

The owner-manager of a small business plays two roles in managing taxes. In one role, you are a debtor. In the other, an agent.

In the role of debtor, you are liable for various taxes and you pay them as part of your business obligations. For example, each year you owe Federal income taxes which you pay out of the earnings of your business. Another example of your debtor's role is the local real estate tax which you owe when you own property.

In the role of agent, the owner-manager of a small business collects various taxes and passes the funds on to the appropriate government agency. For example, each payday you deduct Federal income and Social Security taxes from the wages of your employees. In some States, you deduct State income taxes also. In some localities, you may also be involved in collecting a local income tax. Moreover, you may be thought of as an agent for collecting state and local sales taxes and passing them on to the appropriate government agency. Of course, in many jurisdictions the owner-manager in reality owes the tax on goods sold, regardless of whether or not you collect it from customers.

Whether you are an agent or a debtor, the critical aspect is that as the owner-manager of a small business you are responsible for paying your own taxes and those which you collect from others. The rules—terms and conditions when you think of taxes in a businesslike way—for paying them vary according to the tax.

Federal Taxes

The two best-known Federal taxes are income taxes and Social Security taxes. Other taxes set by the Federal Government are unemployment taxes and excise taxes.

In paying income taxes and Social Security taxes, the owner-manager of a small business is both a debtor and an agent. "Withholding" is the key word in your role as

·gent. But first look at your role as debtor in income ;axes.

Income Taxes. The amount of Federal income taxes owed by the owner-manager depends on the earnings of your company. It also depends on the type of business organization—individual proprietorship, partnership, or corporation—that you use, as well as your other income, exemptions, and your nonbusiness deductions and credits.

If you are a proprietor, you pay your income tax just as any other individual citizen. The major difference is that your income is usually from the earnings of the store or service shop instead of from salaries or wages. You file the same form as an individual taxpayer. However, you also file an additional schedule which, in effect, identifies items of expense and income from your business.

If you are a member of a partnership, the partnership must file a return to reflect the income and expenses of the profit on your return.

Individual proprietors and partners are required by law 'o put the Federal income tax and self-employment tax .ability on a "pay-as-you-go" basis. They do this by filing a Declaration of Estimated Tax (Form 1040 ES) on or before April 15 of each year. The Declaration is an estimate of the income and self-employment taxes they expect to owe based on expected income and exemptions. Payments on the estimate of one quarter each are due April 15, June 15, September 15, and January 15. At the time of each payment, adjustments to the estimate can be made.

The owner of a new small business may be required to file a Declaration on a date other than April 15. If your expected income or exemptions changed during the year (for example, you stopped working as an employee whose wages were subject to withholding) you will be required to file a Declaration as follows:

If the change occurs after April 1 and before June, you must file by June 15;

If the change occurs after June 1 and before September 2, you must file by September 15;

If the change occurs after September 1, you must file by anuary 15 of the following year.

If your business is a corporation, it pays taxes on its profit. In addition, you pay an individual tax on salary and dividends that your corporation pays you. Income tax rates vary for corporations, proprietorships, and partnerships. (See * on page six.)

The IRS or a tax accountant can tell you the current rates.

The income tax return of a corporation is due on the 15th of the third month following the end of its taxable year. The corporation may select as its taxable year a period which does not have to coincide with the calendar year.

While income tax returns are filed annually, payment of the tax is made on an "on-account" basis by most firms—that is quarterly. Every corporation whose estimated tax is expected to be $50 or more is required to make estimated tax payments.

The important things in meeting your business' obligation on Federal income taxes are having the funds and paying on time. You may want to have a calendar of tax obligations as a reminder.

Withholding Income Taxes

Your employees make Federal income tax payments each payday. They do it through you. You pass these payments on to the Government periodically.

Your work as an agent starts when you hire a new employee. You have him or her sign a Form W-4, "Employees Withholding Allowance Certificate." On it he or she lists the exemptions and additional withholding allowances which he or she claims.

This completed certificate is your authority to withhold income tax in accordance with the withholding tables issued by the Internal Revenue Service (IRS). If an employee fails to furnish a certificate, you are required to withhold tax as if he or she were a single person with no withholding exemptions. Before December 1 each year, you should ask your employees to file new exemption certificates for the following year if there has been a change in their exemption status since they filed their last certificate.

At the end of the year, you have to furnish each employee with copies of Form W-2, "Wage and Tax Statement" for him or herself and each taxing jurisdiction. He or she files a copy with his or her income tax return and keeps one for him or herself. You, the employer, must also furnish a copy of Form W-2 to the Internal Revenue Service on or before February 28.

Withholding Social Security Taxes

In paying Social Security taxes, the owner-manager is also both an agent and a debtor. As an agent, you deduct the tax which each employee owes. As a debtor, you match these deductions, paying the same amount as each employee.

Social Security taxes are deducted at the rate set by law, usually a percentage of an employee's wages. You must match paying amounts you withhold and see that the Government is paid.

If your type of business involves tips, such as in a restaurant, employees receiving cash tips of $20 or more in a month while working for you, must report these tips to you for income tax and Social Security purposes. They must report these tips to you on or before the 10th day of the following month. You then deduct the employee's Social Security and income tax from wages due the employee.

You are required to match only the deductions you make on the employee's wages. You need not match the Social Security taxes you deduct on employee tips.

Remitting Federal Taxes

Passing the funds you withhold on to the Government is fairly easy when you know the procedure and the due dates. The procedure involves two actions:

1. Reporting the income and Social Security taxes which you withheld from employees' pay.

2. Depositing the funds which you withheld.

You use tax return Form 941 to report withholding and Social Security remittances to the Government. The return for each calendar quarter is due on the last day of the following month, namely, April 30, July 31, October 31, and January 31.

However, in many cases remittance of taxes are required before the due date of the return. The dates on which you are required to pass the taxes on to the Govenment depend on your situtation.

To make your deposits you fill in Form 501 "Federal Tax Deposits, Withheld Income and F.I.C.A. Taxes". Send this form and your check to the Federal Reserve bank which serves your district or to a commercial bank that is authorized to accept tax deposits. Your local bank or a Federal Reserve bank can give you the names of such commercial banks.

Generally, the smaller the amount of your tax liability, the less often you have to make a deposit. The rules are:

Less than $200 liability per quarter. No deposit will be required if your liability for the quarter is less than $200. The total liability for the quarter will be remitted with the quarterly return on or before the last day of the month following the close of the quarter.

Employers with $200 or more liability per quarter but less than $200 liability in any month. If at the end of the first month in the quarter the cumulative liability is less than $200, but by the end of the 2nd month it is $200 or more, the employer must deposit the cumulative amount by the 15th day of the 3rd month in the quarter. The liability for the 3rd month of the quarter may be remitted with the return that will be due on or before the last day of the month following the close of the quarter.

If the cumulative liability does not reach $200 until the 3rd month of the quarter, the total liability must be deposited by the last day of the month following the close of the quarter.

Employers with liability of $200 or more but under $2,000. For each of the first 2 calendar months in the quarter if the cumulative liability for the quarter is $200 or more and less than $2,000, deposits will be required within the next 3 banking days.

Excise Taxes

Federal excise taxes are imposed on the sale or use of some items, on certain transactions, and on certain occupations. For example, there is an occupational tax on retail dealers in adulterated butter, retail dealers in beer, retail liquor dealers, and wholesale beer and liquor dealers. Diesel fuel and certain special motor fuels carry a retailers excise tax.

If you are in doubt about the excise tax liability of your business, you should check with the nearest Internal Revenue Service office. If you are liable for any excise taxes, you must file a quarterly return on Form 720. When you owe more than $100 a month in excise taxes, you must make monthly deposits of that tax in a Federal Reserve Bank or other authorized depositories in the same manner as Federal income taxes.

Semimonthly, rather than monthly, deposits of excise taxes are required if you were liable for more than

$2,000 of all excise taxes reportable on Form 720 for any month during the previous quarter.

If you own and operate trucks in your business, you have to pay the Federal highway use tax. This tax is described in detail in a free IRS publication Federal Highway Use Tax.

If as an owner-manager you are engaged in an occupation involving gaming devices, liquor, narcotics, gambling, or firearms, you must pay an occupational (excise) tax. Details are available at the nearest IRS office.

Unemployment Taxes

Your business is liable for Federal unemployment taxes if you paid wages of $1,500 or more in any calendar quarter, or you had one or more employees on at least some portion of one day in each of 20 or more calendar weeks. The 20 weeks do not have to be consecutive.

Federal tax deposits. If your liability for undeposited Federal unemployment tax exceeds $100 for any calendar quarter and any preceding quarter, you must deposit the tax with an authorized commercial bank or a Federal Reserve bank within one month following the close of the quarter.

Each deposit must be accompanied by a preinscribed Federal Unemployment Tax Deposit form (Form 508). A supply of these forms will be furnished to you automatically if you have applied for an employer identification number, but in any case they may be obtained from the Internal Revenue office where you file returns.

An annual return must be filed on Form 940 on or before January 31 following the close of the calendar year for which the tax is due. Any tax still due is payable with the return. You must file Form 940 on a calendar year basis even if you operate on a fiscal year basis.

Form 940 may be filed on or before February 10 following the close of the year if all required deposits were made timely and full payment of the tax due is deposited on or before January 31.

Usually the Internal Revenue Service will mail copies of Form 940 to you. However, if you fail to receive them, copies may be obtained at your Internal Revenue office.

The basic tax rate is set by law. The actual rate which you pay should be much less because the Federal Government gives you credit for the unemployment taxes which you pay to your State government. A small number of States have a slight surcharge because of the above average unemployment experience within the State itself.

State Taxes

Although State taxes vary from State to State, the three major types of State taxes are unemployment taxes, income taxes, and sales taxes. It is essential to know what taxes your State requires you to pay as a debtor and what taxes it requires you to collect as an agent. In some States, if you fail to remit State withheld taxes you can be charged with embezzlement.

Unemployment Taxes

Each State has unemployment taxes. Because the rules and requirements vary by State, you should check the authorities in your State to determine your obligations. Usually, unemployment taxes are based on the taxable wage base of a quarter. The rate of tax charged is usually determined by your unemployment experience, coupled with the unemployment experience of your State.

In some States, the worker, through payroll deductions is also assessed.

State Income Taxes

Some States impose an income tax. When they do, owner-managers are required to deduct (withhold) this tax from their employees' wages.

In some cases, the State tax returns are similar to those used by the Federal Government. Other areas use a different approach. Many States require you to file an information return.

You should contact the State authorities in your area and find out what requirements apply to your business. If the requirements differ from those for Federal income tax returns, make sure that your records give you the necessary information for State income taxes.

Sales Tax

Many States have sales taxes. In meeting this tax obligation, you act as an agent. You collect the tax and you pass it on to the appropriate State agency.

You are required to use a system which the taxing jurisdiction has set up. If you have doubts about your

First Printed 1970
Reprint 1983

system of collecting, reporting, and paying sales taxes, you should describe your system to the taxing authorities and ask them whether or not it complies with the requirements.

Local Taxes

Counties, towns, and cities impose various kinds of taxes. Among them are real estate taxes, personal property taxes, taxes on gross receipts of businesses, and unincorporated business taxes. A license to do business is also a tax even though some owner-managers don't think of it as such. And some localities (mostly large cities) have an income tax.

You should check with the authorities in your locality to be sure your business is paying the various taxes to which it is subject.

Be Businesslike

In meeting your tax obligations, keep one thought in mind: be businesslike. Manage taxes as you manage any other aspect of your business.

Make sure that you file tax reports when they are due and pay the tax on time. Failure to file or pay taxes when due can bring penalties (fines and/or jail sentences) and interest on the tax money which is involved. In many cases, the officers of a company can be held personally responsible for taxes due by their corporation if the corporation does not pay the taxes. In addition criminal charges may be imposed, particularly when monies—such as income tax withholings—that are held in escrow for others are not available on the due dates.

Make sure that you have the cash on hand when a particular tax is due. Some owner-managers do it by putting the required funds in a separate bank account on a systematic basis. Others do it by arranging for loans at the appropriate times.

Good recordkeeping is essential in determining proper liabilities. For that reason, your records should be reviewed by an accountant for acceptabilitiy for audit by the various taxing authorities. It is good management to coordinate your overall accounting with tax due dates so that tax liabilities can be ascertained without substantial additional work. Moreover, an accountant can relieve you of time-consuming paperwork. An accountant can also research the tax problems with a view to save money for your firm.

Finally, pay taxes by check and deposit all payments which you withhold from employees.

*Under subchapter S provisions of the law a corporation can elect not to be taxed. In that case, its income will be taxed to the shareholders, that is directly in the same manner as in a proprietorship or partnership.

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★ U.S. GOVERNMENT PRINTING OFFICE: 1983-420-9-2:3★

IS# 072

Form **941**
(Rev. January 1986)
Department of the Treasury
Internal Revenue Service

Employer's Quarterly Federal Tax Return

▶ For Paperwork Reduction Act Notice, see page 2.

4141 Please type or print

OMB No. 1545-0029
Expires: 8-31-88

Your name, address, employer identification number, and calendar quarter of return. (If not correct, please change.)

BU 39-1391361 8603 509 C

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EAU CLAIRE WI 54703

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If address is different from prior return, check here ▶ ☐

IRS Use

1 1 1 1 1 1 1 1 1 1 2 2 2 2 2 2 2 2 2 3 3 3 3 3 3
4 5 5 5 6 6 6 7 8 9 9 9 9 9 9 10 10 10 11 11 11 11 11 11 11 11 11 11 11

If you are not liable for returns in the future, check here ▶ ☐ Date final wages paid ▶

Complete for First Quarter Only

1a	Number of employees (except household) employed in the pay period that includes March 12th ▶	1a	
b	If you are a subsidiary corporation AND your parent corporation files a consolidated Form 1120, enter parent corporation employer identification number (EIN) ▶ 1b –		
2	Total wages and tips subject to withholding, plus other compensation ▶	2	
3	Total income tax withheld from wages, tips, pensions, annuities, sick pay, gambling, etc. ▶	3	
4	Adjustment of withheld income tax for preceding quarters of calendar year (see instructions) ▶	4	
5	Adjusted total of income tax withheld	5	
6	Taxable social security wages paid $ ____ X 14.3% (.143)	6	
7a	Taxable tips reported $ ____ X 7.15% (.0715)	7a	
b	Tips deemed to be wages (see instructions) $ ____ X 7.15% (.0715)	7b	
c	Taxable hospital insurance wages paid $ ____ X 2.9% (.029)	7c	
8	Total social security taxes (add lines 6, 7a, 7b, and 7c)	8	
9	Adjustment of social security taxes (see instructions for required explanation) ▶	9	
10	Adjusted total of social security taxes (see instructions)	10	
11	Backup withholding ▶	11	
12	Adjustment of backup withholding tax for preceding quarters of calendar year	12	
13	Adjusted total of backup withholding	13	
14	Total taxes (add lines 5, 10, and 13) ▶	14	
15	Advance earned income credit (EIC) payments, if any (see instructions)	15	
16	Net taxes (subtract line 15 from line 14). This must equal line IV below (plus line IV of Schedule A (Form 941) if you have treated backup withholding as a separate liability.)	16	
17	Total deposits for quarter, including overpayment applied from a prior quarter, from your records ▶	17	
18	Balance due (subtract line 17 from line 16). This should be less than $500. Pay to IRS ▶	18	
19	If line 17 is more than line 16, enter overpayment here ▶ $ ____ and check if to be: ☐ Applied to next return or ☐ Refunded.		

Record of Federal Tax Liability (Complete if line 16 is $500 or more) See the instructions under rule 4 for details before checking these boxes.
Check only if you made eighth-monthly deposits using the 95% rule ▶ ☐ Check only if you are a first time 3-banking-day depositor ▶ ☐

Date wages paid	Tax liability (Do not show Federal tax deposits here.) First month of quarter		Second month of quarter		Third month of quarter	
1st through 3rd	A		I		Q	
4th through 7th	B		J		R	
8th through 11th	C		K		S	
12th through 15th	D		L		T	
16th through 19th	E		M		U	
20th through 22nd	F		N		V	
23rd through 25th	G		O		W	
26th through the last	H		P		X	
Total liability for month	*I*		*II*		*III*	

IV Total for quarter (add lines *I*, *II*, and *III*) ▶

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

Signature ▶ Title ▶ Date ▶

TA. 100

Withholding Work Sheet

As of 4/28/86

UPDATE THIS

1. Married - 1 Deduction

Weekly employee works 40 Hrs. @ $6.20/Hr..

	Gross	$248.00	
Pg. 24	Fed.	22.00	
Pg. 42	S.S.	17.73	$200.00 - $14.30 + $3.43
	WI	8.80	
	NET	$199.47	Deduction - $48.53

2. Single - 1 Deduction

Weekly employee works 40 Hrs. @ $6.20/Hr.

	Gross	$248.00	
Pg. 22	Fed.	29.00	
Pg. 42	S.S.	17.73	
	WI	9.50	
	NET	$191.77	Deduction - $56.23

3. Marries - 9 Deductions

Weekly employee works 40 Hrs. @ $6.20/Hr. + $25.00 Gas.

	Gross	$248.00	
Pg. 24	Fed.	1.00	
Pg. 42	S.S.	17.73	
	WI	5.60	
	NET	$223.67	Deduction - $24.33

This worksheet should be used in conjunction with W-166 (R. 1-86) and Pub. 15 (R. 1-86).

T A X E S

Federal

Income Taxes

Social Security Taxes

Withholding Security Taxes

Excise Taxes

Unemployment Taxes

FUTA

State

Income Taxes

Withholding Income Tax

Unemployment Taxes

Sales Tax

County

Menomonie .5%

Dunn

Local

Real Estate

Property Tax

Gross Sales

Licenses

DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Nine: "Bookkeeping, Record Keeping and Accounting"

INTRODUCTION: This is undoubtedly the most difficult area for the would-be entrepreneur. It is also the subject that generates the most questions. The instructor should proceed slowly through each phase.

OBJECTIVES: By the end of this session participants will be able to:
A. Identify the key elements of a good recordskeeping system.
B. Be able to use the primary tools for keeping records.
C. Understand the difference between an accountant and a bookkeeper.
D. Be able to set-up a chart of accounts for their own business.
E. Be able to set-up a simple set of business books.
F. Read a profit and loss sheet and know what it means.

MATERIALS	IDENTIFYING NUMBER
"Six Requirements of a Good Recordskeeping System"	IS# 047
Complete set of profit and loss statements and a chart of accounts for imaginary business.	IS# 074
"Reconciling Your Bank Statement"	IS# 048
"Keeping Records in Small Business" - SBA	MA 1.017
Video Tape - "Basic Bookkeeping Practices for a Small Business"	Business File #22
"Sample Blank Balance Sheet"	IS# 073
"Records - How Long?" By Anthony C. Buchanan	IS# 075

AGENDA/LESSON

(10 Min.) 1. Give weekly review.

2. INTRODUCTION (Explain the difference between an accountant and a bookkeeper.)

(5 Min.) 3. Handout IS# 047 - "Six Requirements of a Good Recordskeeping System".

(50 Min.) 4. A good recordskeeping system. Review handout in detail.

A. Simple to use.
B. Easy to understand.
C. Reliable
D. Accurate
E. Consistent
F. Provides timely information.

(5 Min.) 5. Pass out the Brown Furtniture Co. Balance Sheet IS# 074. (Student Participatio

.5 Min.) 6. Review the entire balance sheet.

7. Pass out the Blank Balance Sheet. (Student Participation)

(15 Min.) 8. Break!

(30 Min.) 9. Divide class into groups of 3 or 4 and let them work on their own balance sheet. Note! In a group setting they can still work individually, but, have questions answered when needed.

(15 Min.) 10. Explain "Reconciling Your Bank Statement".

A. Pass out Handout IS# 048.
B. Explain using overhead projector and inserted figures.

(5 Min.) 11. Pass out Record Keeping in Small Business.

A. Review briefly.

12. Explain the use of "Tickler File".

A. Show an actual example.

13. Home assignment - none.

AGENDA/LESSON

14. Self Evaluation.

    A. Re-examine the class notes and make sure each subject was properly covered. Write down any questions for discussion at the following session.

HANDOUT

SIX REQUIREMENTS OF A GOOD RECORDSKEEPING SYSTEM

SIMPLE TO USE

EASY TO UNDERSTAND

RELIABLE

ACCURATE

CONSISTENT

PROVIDES INFORMATION ON A TIMELY BASIS

KISS SYSTEM: KEEP IT SIMPLE, STUPID!

You started _____ Company. Your first day of business was 1-1-87. Prior to 1-1-87 you incurred the following start-up costs:

(1) You bought a delivery truck that cost you $15,000. You paid $5,000 in cash and financed the remaining $10,000 at 12% interest for 5 years.

(2) You also bought a file cabinet for $175 and a steel desk and chair for $325. You paid cash for both.

(3) You also paid $10,000 cash for inventory and charged another $5,000 worth of inventory.

(4) You realized that you should have a little cash on hand for miscellaneous cash paid out and for customers who needed change. So you put $100 in assorted bills and coin in your cash drawer. At the same time you deposit $2,000 cash in the bank to use for working capital.

You also defined your chart of accounts prior to your first day of business (You actually listened to your accountant).

A. Assets:

Cash In Bank
Cash On Hand
Inventory
Delivery Truck
Office Equipment
Accumulated Depreciation

B. Liabilities:

Accounts Payable
Installment Notes Payable

C. Equity:

Contributed Capital
Owner Withdrawls
Retained Earnings
Year-To-Date Earnings

D. Revenues:

Sales

E. Expenses:

Purchases
Rent
Advertising
Telephone
Insurance
Interest
Office Supplies
Depreciation
Miscellaneous

Having defined a chart of accounts and stocking the floor you take the time to prepare your opening balance sheet.

Preparing the opening balance sheet . . .

_____ Company
Balance Sheet
For The Period Ended _____

A. ASSETS

Cash In Bank		$_____
Cash On Hand		_____
Inventory		_____
Delivery Truck	$_____	
(Accumulated Depreciation)	_____	_____
Office Equipment	_____	
(Accumulated Depreciation)	_____	_____
TOTAL ASSETS		$_____

B & C. LIABILITIES AND EQUITY

Accounts Payable	$_____	
Installment Notes Payable	_____	
TOTAL LIABILITIES		$_____
Contributed Capital	_____	
(Drawing)	_____	
Retained Earnings	_____	
Year-To-Date Earnings	_____	
TOTAL EQUITY		$_____
TOTAL LIABILITIES AND EQUITY		$_____

During the first month in business, you sell the following:

(1) _____	$4,000
(2) _____	5,000
(3) _____	1,000

You write the following checks:

Check 101	Rent	$1,500
Check 102	On Account (inv)	3,000
Check 103	Office Supplies	50
Check 104	Advertising	1,000
Check 105	Truck Payment	222.44

In addition you have charged another $3,000 in inventory purchases and an unpaid phone bill of $150.

Prepare a profit and loss for January 1987 and a balance sheet at January 31, 1987.

_____ Company
Profit and Loss
For the Period Ending _____

D. GROSS SALES

		DOLLAR		%
Item A (inventory)	1.	_____		_____
Item B (inventory)	2.	_____		_____
Item C (inventory)	3.	_____		_____
Item D. (inventory)	4.	_____		_____
GROSS SALES	5.		$_____	_____

COST OF SALES

Beginning Inventory	6.	_____		
Add: Purchases	7.	_____		
Goods Available For Sale	8.	_____		
Less: Ending Inventory	9.	_____		
Cost of Goods Sold	10.	_____		
Gross Profit On Sales	11.		$_____	_____

E. EXPENSES

Rent	12.	_____		_____
Advertising	13.	_____		_____
Telephone	14.	_____		_____
Insurance	15.	_____		_____
Interest	16.	_____		_____
Office Supplies	17.	_____		_____
Depreciation	18.	_____		_____
Miscellaneous	19.	_____		_____
Total Expenses	20.		$_____	_____
Net Profit/Loss	21.	_____		_____

_____ Company
Balance Sheet
For The Period Ended _____

A. ASSETS

Cash In Bank		$_____
Cash On Hand		_____
Inventory		_____
Delivery Truck	$_____	
(Accumulated Depreciation)	_____	_____
Office Equipment	_____	
(Accumulated Depreciation)	_____	_____
TOTAL ASSETS		$_____

B & C. LIABILITIES AND EQUITY

Accounts Payable	$_____	
Installment Notes Payable	_____	
TOTAL LIABILITIES		$_____
Contributed Capital	_____	
(Drawing)	_____	
Retained Earnings	_____	
Year-To-Date Earnings	_____	
TOTAL EQUITY		$_____
TOTAL LIABILITIES AND EQUITY		$_____

H&R BLOCK

BASIC BOOKKEEPING OUTLINE

1) SETTING UP YOUR CHART OF ACCOUNTS

2) DEFINITIONS
   a) EXPENSE
   B) ASSET - DEPRECIATION
   c) LOAN PAYMENTS

3) RECOGNITION OF REVENUES AND EXPENSES
   a) CASH BASIS
   B) ACCRUAL BASIS
   C) PETTY CASH

4) DAILY SUMMARIES
5) GENERAL LEDGER
6) PAYROLL LEDGER
7) ASSET LEDGER
8) PROFIT AND LOSS STATEMENT
   a) FORECASTS
   B) BREAK-EVEN
      i) FIXED AND VARIABLE EXPENSES
9) BANK RECONCILIATIONS
10) FEDERAL AND STATE REPORTS
11) INTERNAL CONTROL QUESTIONNAIRE
12) HAND OUT PROBLEM

RECONCILING YOUR BANK STATEMENT

1. Place your checks in order by check number or issue date.
2. Compare your cancelled checks with the information in your check register, correcting any errors in recording.
3. Add any interest credited and subtract any bank charges which appear on your statement from your checkbook register.
4. Total all deposits in your check register which are not shown on your statement and add that to your statement balance.
5. Add all outstanding checks (those not presented in time to appear on your statement). Subtract this total from the new balance. The balance in your checkbook register should now agree with the actual balance.

CHECKS OUTSTANDING	
NUMBER	AMOUNT
	$

DEPOSITS NOT CREDITED	
NUMBER	AMOUNT
	$
TOTAL DEPOSITS NOT CREDITED	

BALANCE OF BANK STATEMENT	
ADD DEPOSITS NOT CREDITED	
NEW BALANCE	
SUBTRACT TOTAL CHECKS OUTSTANDING	
ACTUAL BALANCE	

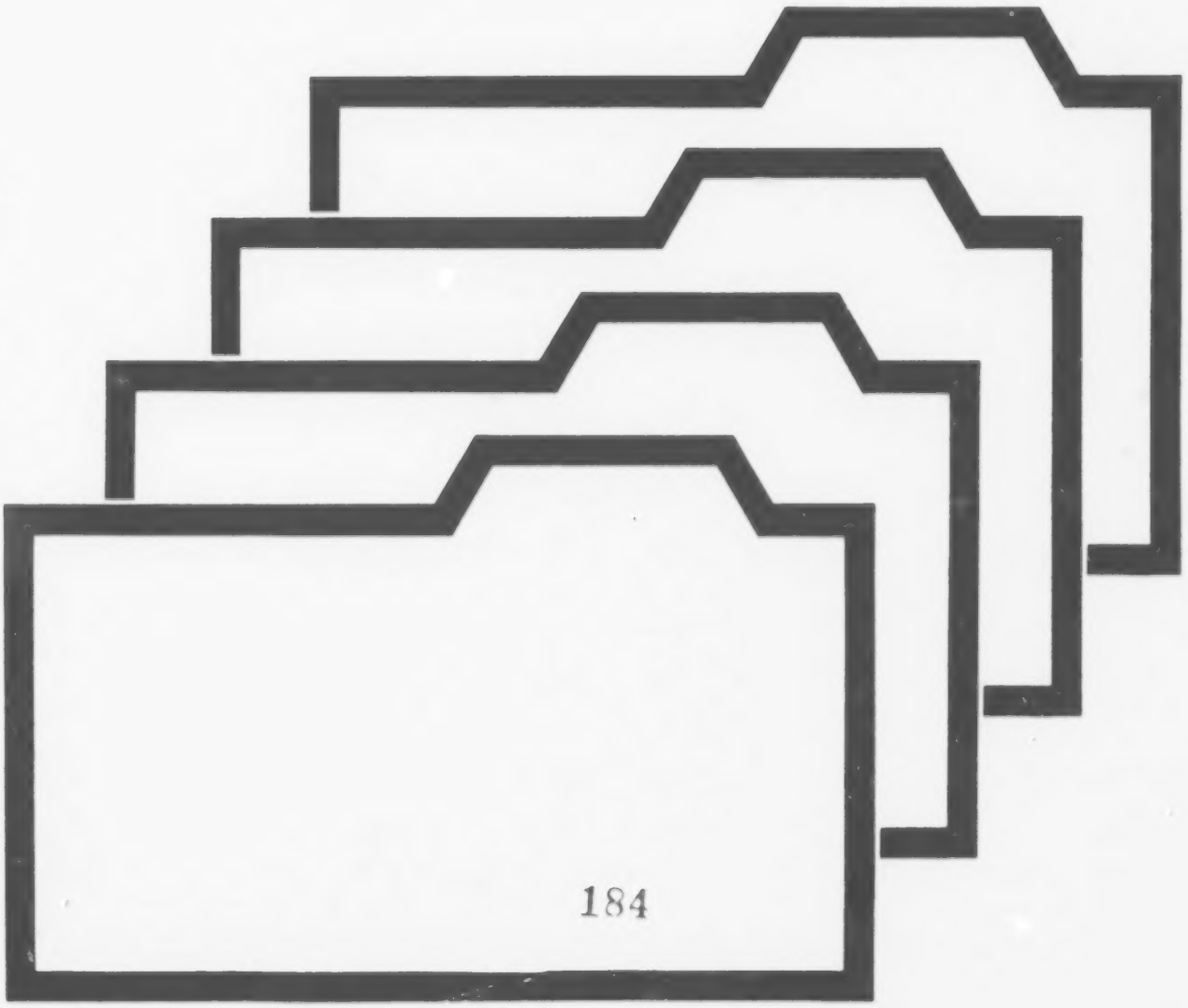
U.S. Small Business Administration
Management Assistance
Support Services

Management Aids
Number 1.017

SBA

Keeping Records in Small Business

By John Cotton
Retired Utility Executive
and Member of SCORE
Albuquerque, New Mexico



Summary

Keeping score in small business is vital to success and profits. In discussing recordkeeping for small firms, this *Aid* points out that a recordkeeping system should be simple to use, easy to understand, reliable, accurate, consistent, and should provide information on a timely basis.

Keeping records is really scorekeeping; a serious side of scorekeeping. If you attended a basketball game where either no score was kept or the score was several minutes late, you would probably be disgusted and leave the game. Yet, many people don't know the current score of their own business because of inadequate or out-of-date records.

Adequate records are necessary to prepare various tax returns. They are required by banks and other financial institution you may deal with. Many times financial records and reports are required by suppliers or other creditors.

Requirements of a Good Record System

A good recordkeeping system must be (1) simple to use, (2) easy to understand, (3) reliable, (4) accurate, (5) consistent, and (6) designed to provide information on a timely basis.

Minimum Records Required

You will need four basic records:

1. Sales records
2. Cash records
3. Cash disbursements
4. Accounts receivable

When you use a cash register, a combined Sales and Cash Receipts record may be kept. Sales are divided into a few categories, possibly three or four, such as wholesale, retail, and services. Cash receipts represent cash sales and collections of Accounts Receivable. One entry is made for each day.

A smaller business without a cash register can enter each item in the Sales and Cash Receipts register showing date, name, invoice number, and amount.

All receipts for the day should be deposited in the bank in a night depository. Deposit the exact amount received. Instead of paying out small amounts from receipts, use a Petty Cash Fund. By depositing the exact amount of receipts, the bank statement enables you to balance your Cash Receipts book readily.

Just as all receipts are deposited, all disbursements should be made by check, using the Petty Cash Fund for payment of small items. Record the purpose of each check expenditure in the checkbook. Enter date, name, check number, and amount for each item. A bank charge is entered in the same manner as a check except that there is no check number.

Columns should be provided for common expense items to show the distribution of expenses. The amount disbursed is entered in the appropriate column, and a separate column is provided for miscellaneous charges.

Balancing—Bank Reconciliations

Each page of sales, cash receipts, and disbursements should be balanced. A balance is also taken at the end of each month.

As soon as bank statements are received, reconcile them with your checkbook. Usually a form is provided on the back of the statement from the bank, substantially as follows:

Bank Balance	$
Add deposits not recorded by the bank	$
Less outstanding checks	$
Balance as per books	$

Petty Cash Fund

A Petty Cash Fund should be set up to be used for payment of small amounts not covered by invoices. A check should be drawn for, say, $25.00. The check is cashed and the fund placed in a box or drawer. When payments are made for such items as postage, freight, and bus fares, the items are listed on a printed form or even on a blank sheet. When the fund is nearly exhausted, the items are summarized and a check drawn to cover the exact amount expended. The check is cashed and the fund replenished. At all times the cash in the

drawer plus listed expenditures will equal the amount of the fund.

List Equipment

Keep a careful list of permanent equipment used in the business. Keep track of items useful for a year or longer and of appreciable value. Show date purchased, name of supplier, description of item, check number by which paid, and amount. If you own quite a number of items, prepare separate lists for automotive equipment, tools and manufacturing equipment, and furniture and fixtures. These lists provide the basis for calculating depreciation and provide supporting data for fixed asset accounts.

Insurance Record

Most businesses will have several types of insurance. Each policy should be listed showing type of insurance coverage, name of insurer, dates effective (expiration date), and annual premiums. Be sure that all necessary types of coverage are obtained. Ask your insurance agent or broker to analyze your coverage.

Cash or Accrual Basis for Records

A very small business such as a hot dog stand will use the cash basis for bookkeeping. A larger, more complicated business no doubt will use the accrual basis. The dividing line between the cash basis and accrual basis might depend on whether or not credit is granted to customers and the amount of inventory required.

Accrual basis is defined as "a method of recording income and expenses, in which each item is reported as earned or incurred, without regard as to when actual payments are received or made." Charge sales are credited at once to Sales and charged to Accounts Receivable. When the bills are collected, the credit is to Accounts Receivable.

Accruals should also be made for expense items payable in the future, such as yearly or semi-annual interest on loans.

Depreciation

A charge to expenses should be made to cover depreciation of fixed assets, other than land. The corresponding credits are to Accumulated Depreciation.

Fixed Assets may be defined as items normally in use for one year or longer, such as buildings, automotive equipment, tools, equipment, furniture, and fixtures. Smaller businesses will usually charge depreciation at the end of their fiscal year, but a business with very substantial fixed assest, such as a motel, will probably calculate depreciation monthly.

Typically small businesses will use straight line depreciation based on the expected life of the items for book purposes. Buildings perhaps may have an estimated life of 20 years, with depreciation of 5% a year. Automobiles will have estimated lives of four or five years and should be depreciated at 20% or 25% per year. A sample depreciation chart follows. below

Bookkeeping Systems

There are several copyrighted systems providing simplified records, usually in a simple record book. These systems cover the basic records with complete instructions for their use. You can examine some of these systems at most office supply stores. (SBB 15, "Recordkeeping Systems," lists many such systems. You can get a free copy of it from SBA, P.O. Box 15434, Fort Worth, TX 76119.)

Financial Statements

Use an outside accountant to prepare financial statements for your business. The principal financial

Depreciation of Buildings And Equipment — Year of 1973

Item	Date Purchased	Cost	Est. Life	Yearly Deprec.	Accum. Prior Deprec.	This Year's Deprec.	Total Accum. Deprec.
Main Office	Jan. 1970	$40,000	20 yrs.	5%	$6,000	$2,000	$8,000
Main Factory	Jan. 1971	$75,000	25 yrs.	4%	$6,000	$3,000	$9,000
Calculator	Feb. 1971	$ 1,200	10 yrs.	10%	$ 230	$ 120	$ 350
Machinery	July 1971	$40,000	20 yrs.	5%	$3,000	$2,000	$5,000
Total		**$156,200**			**$15,230**	**$7,120**	**$22,350**

statements, the Balance Sheet and Profit and Loss Statement (or Income Statement), are prepared from the basic records or general books, ledgers, and records. The Balance Sheet is a picture of the business at a given moment, usually at the close of business at the end of fiscal year. It lists Assets, Liabilities, and Capital (also called Owner's Equity). The Profit and Loss Statement pictures what has happened during a month or a longer period. Basically, it states the amount of sales from which is subtracted Expenses and Taxes, the balance being Profit (or Loss)

General Books of Account

A business needs some form of Journal. A Journal is used to record all business transactions. The following is a typical journal entry.

Jan. 31, 1974	**Debit**	**Credit**
Interest Expense	$58.33	
Accrued interest Payable		$58.33

To record January share of interest due on First National Bank loan. Principal Amount $10,000 @ 7% = $700.00. January share $58.33

The information for each transaction or journal entry is derived from original source documents — copies of sales slips, cash register tapes, check stubs, purchase orders, etc. In fact, compiled copies of such transaction records are often used as the journal, each record being an entry.

General Ledgers are kept to record transactions and balances of individual accounts — Assets, Liabilities, Capital, Sales and Expenses. A typical Classification of Ledger Accounts follows.

At the end of each fiscal year or accounting period, accounts are balanced and closed. Sales (Income) and Expense Account balances are transferred to the Summary of Revenue and Expenses and are used in the Income Statement. The remaining Asset, Liability, and Capital accounts provide the figures for the Balance Sheet.

Classification of Accounts (Sample)

Assets
100 — Cash in Banks
101 — Petty Cash Fund
102 — Accounts Receivable
103 — Inventory
105 — Materials and Supplies
107 — Prepaid Expenses
108 — Deposits

120 — Land
121 — Buildings
121 — Accumulated Depreciation—Buildings (Credit)
123 — Tools and Equipment
124 — Accumulated Depreciation—Tools and Equipment (Credit)
125 — Automotive Equipment
126 — Accumulated Depreciation—Automotive Equipment (Credit)
127 — Furniture and Fixtures
128 — Accumulated Depreciation—Furniture and Fixtures (Credit)

130 — Organization Expenses (to be amortized)

Liabilities
200 — Accounts Payable
201 — Notes Payable
205 — Sales Taxes—Payable
206 — FICA Taxes—Payable
207 — Federal Withholding Taxes
208 — State Withholding Taxes
209 — Unemployment Taxes
220 — Long-Term Debt—Mortgages Payable
221 — Long-Term Debt—SBA Loan
225 — Miscellaneous Accruals

Capital Accounts
300 — Common Capital Stock
301 — Preferred Capital Stock
| for Corporations

or

300 — Proprietorship Account
301 — Proprietor's Withdrawals
| for Proprietorships

305 — Retained Earnings

Sales (Revenue) Accounts (Credit)
400 — Retail Sales
401 — Wholesale Sales
402 — Sales—Services
405 — Miscellaneous Income

Expenses (Debit)
500 — Salaries and Wages
501 — Contract Labor
502 — Payroll Taxes
503 — Utilities
504 — Telephone
505 — Rent

506 — Office Supplies
507 — Postage
508 — Maintenance Expense
509 — Insurance
510 — Interest
511 — Depreciation
512 — Travel Expense
513 — Entertainment
514 — Advertising
515 — Dues and Contributions
520 — Miscellaneous Expenses

The use of too many accounts should be avoided. Break down sales into enough categories to show a clear picture of the business. Use different expense accounts covering frequent or substantial expenditures but avoid minute distinctions which will tend to confuse rather than clarify. Use Miscellaneous Expense for small unrelated expense items.

Accounts Receivable Control

A few rules should be followed to keep Accounts Receivable current. First, be sure bills are prepared (when goods are shipped or service is rendered) and mailed to correct addresses. Keep a close watch on larger accounts.

At the end of each month, "age" your Accounts Receivable. List accounts and enter amount that are current, unpaid for 30 days, and those 60 days and over. Find out exactly why all accounts 60 days and over are unpaid. Your system should help you collect these accounts.

Pay close attention to customers' complaints about bills. If a complaint is justified, propose an adjustment and reach an agreement with the customer. Do this promply.

If a customer is delinquent, try to obtain a promise of payment on a definite date. If payment is not received on the date promised, ask the customer to explain why and get a new promise.

If you don't know a customer who asks for credit, use a simple form listing name, address, telephone number, place of employment, bank and credit references. Make sure that credit is warranted before you grant it.

Payroll Records

Yearly and quarterly reports of individual payroll payments must be made to State and Federal Governments. Each individual employee receives a W-2 form at the yearend showing total withholding payments made for the employee during the calendar year.

An employment card should be kept for each employee showing, amoung other things, social security number, name, address, telephone number, and name of next of kin and their address. Indicate whether the employee is married and the number of exemptions claimed. A W-4 form should also be on record.

A summary payroll should be made each payday showing names, employee number, rate of pay, hours worked, overtime hours, total pay and amount of deductions for FICA, withholding taxes and deductions for insurance, pension and/or saving plans.

Also a separate sheet should be kept for each employee. On this individual Payroll Record, list rate of pay, social security number, and so on. Enter amounts for each pay period, covering hours worked, gross pay, and the various deductions. At the end of each quarter add the amounts and balance. These forms provide the data you need for quarterly and annual reports.

Easy Filing

An easy filing method for a small business is to use a large manila envelope for each month's paid invoices, tax returns, etc. Staple paid returned checks to paid invoices or tax returns. The cash disbursement record, which shows dates of payment and check numbers, makes it easy to locate paid invoices.

It is good policy to keep records up to date. The best way to do it is by seeing that your recordkeeping is done daily.

Small Business Financial Status Checklist

(What an Owner-Manager Should Know)

Daily

1. Cash on hand.
2. Bank Balance (keep business and personal funds separate).
3. Daily Summary of sales and cash receipts.
4. That all errors in recording collections on accounts are corrected.
5. That a record of all monies paid out, by cash or check, is maintained.

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Weekly

1. Accounts Receivable (take action on slow payers).
2. Accounts Payable (take advantage of discounts).
3. Payroll (records should include name and address of employee, social security number, number of exemptions, date ending the pay period, hours worked, rate of pay, total wages, deductions, net pay, check number).
4. Taxes and reports to State and Federal Government (sales, withholding, social security, etc.)

Monthly

1. That all Journal entries are classified according to like elements (these should be generally accepted and standardized for both income and expense) and posted to General Ledger.
2. That a Profit and Loss Statement for the month is available within a reasonable time, usually 10 to 15 days following the close of the month. This shows the income for the business for the month, the expense incurred in obtaining the income, and the profit or loss resulting. From this, take action to eliminate loss (adjust mark-up? reduce overhead expense? pilferage? incorrect tax reporting? incorrect buying procedures? failure to take advantage of cash discounts?).
3. That a Balance Sheet accompanies the Profit and Loss Statement. This shows assets (what the business has), liabilities (what the business owes), and the investment of the owner.
4. The Bank Statement is reconciled. (That is, the owner's books are in agreement with the bank's record of the cash balance.)
5. The Petty Cash Account is in balance. (The actual cash in the Petty Cash Box plus the total of the paid-out slips that have not been charged to expense total the amount set aside as petty cash.
6. That all Federal Tax Deposits, Withheld Income and FICA Taxes (Form 501) and State Taxes are made.
7. That Accounts Receivable are aged, i.e., 30, 60, 90 days, etc., past due. (Work all bad and slow accounts.)
8. That Inventory Control is worked to remove dead stock and order new stock. (What moves slowly? Reduce. What moves fast? Increase.)

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HANDOUT

Sample Blank Balance Sheet

The following text covers the essential elements of a Balance Sheet. Figures used to compile the Balance Sheet are taken from the previous and current Balance Sheet as well as the current Income Statement (or Profit & Loss Statement). The report is usually attached to the Balance Sheet.

1. Heading - The legal name of the business, the type of statement, and the day, month, and year. Must be shown at the top of the report.

2. Assets - Anything of value that is owned or legally due the business. Total assets include all net realizable and net book (also net carrying) values. Net realizable and net book values are amounts derived by subtracting any estimated allowances for doubtful accounts, depreciation, and reductions of future service -- such as amortization of a premium during the term of an insurance policy -- from the acquisition price of assets .

3. Current Assets - Cash and resources that can be converted into cash within 12 months of the date of the Balance Sheet (or during one established cycle of operations). Besides cash (money on hand and demand deposits in the bank, e.g, checking accounts and regular savings accounts), resources include:

   Accounts Receivable - The amounts due from customers in payment for merchandise or services.

   Inventory - Includes raw materials on hand, work in process, and all finished goods either manufactured or purchased for resale.

   Temporary Investments - Interest- or dividend-yielding holdings expected to be converted into cash within a year. Also called marketable securities or short-term investments, they include stocks and bonds, certificates of deposit, and time deposit savings accounts. List on the Balance Sheet at either their cost or market value, whichever is less.

   Prepaid Expenses - Goods, benefits, or services a business buys or rents in advance of use. Examples are office supplies, insurance protection, and floor space.

4. Long-Term Investments - Also called long-term assets. They are holdings the business intends to keep for at least a year and that typically yield interest or dividends. Included are stocks, bonds, and savings accounts earmarked for special purposes.

5. Fixed Assets - Fixed assets, frequently called plant and equipment, are the resources a business owns or acquires for use in operations and does not intend for resale. Land is listed at its original purchase price, with no allowance for appreciation or depreciation. Other fixed assets are listed at cost, less depreciation. Fixed assets may be leased. Depending on the leasing arrangement, both the value and the liability of the leased property may need to be listed on the Balance Sheet.

RECORDS - HOW LONG?

Organizing, filing and retaining old records is a burden for many businesses and households. The following types of records and retention periods are general guidelines and should be tempered by your own business and investment concerns.

FILE COPY

RECORDS	RETENTION PERIOD
Cancelled checks.....	3 years
Bank deposit slips....	3 years
Bank statements.....	6 years
Tax returns.....	Permanent
Expense reports.....	3 years
Entertainment records.	3 years
Financial statements..	Permanent
Contracts.....	Permanent
Minutes of meetings...	Life of company
Corporate stock records.....	Permanent
Employee records.....	Period of employment plus 3 years
Depreciation schedules	Life of business plus 3 years
Real estate records...	Permanent
Journal & general ledger.....	Life of business plus 3 years
Inventory record.....	3 years

The normal statute of limitations on federal returns is three years. Under some circumstances it is six years, and if you fail to file a return or there is fraud involved, the statute of limitations does not close. This means that the Internal Revenue Service under normal conditions would audit your return any time up through three years.

In deciding your own record retention schedule, consider keeping indefintely those records which cannot be recreated by any other office, institution or governmental unit. If you have any questions please call me.

Sincerely,
Anthony C. Buchanan

DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Ten: "Stress, Organization & Burnout"

INTRODUCTION: Most participants do not understand the symptons of stress, until they begin to hear about it in situations they can relate to. Organization is introduced at this session because the lack of "it" can cause considerable stress to the unsuspecting new entrepreneur.

OBJECTIVES: At the end of this session participants will be able to:

A. Recognize stress and understand how it develops.
B. Develop techniques to relieve stress.
C. Know the difference between stress and burnout.
D. Know there is good and bad stress.
E. Understand that lack of organization is a prime cause of stress.
F. Know the value of delegating responsbility.

MATERIALS	IDENTIFYING NUMBER
"Suggested Stress Relief Techniques"	IS# 053
"Daily Time Planner"	
"Meeting Action Schedule"	
Film "Stress Management" - 35 Min. District One Film Library	

AGENDA/LESSON

(5 Min.) 1. Weekly update.

(15 Min.) 2. Define good stress and bad stress.

A. Give examples of each.
1. Eustress (good stress).
2. Distress (bad stress).

(10 Min.) 3. Define stressors.

A. People, situations or events that cause one to react.

(10 Min.) 4. Define stress.

A. One's reaction to stressors.

(10 Min.) 5. Explain "stressors are not controllable, reaction is".

A. Cite examples.
B. Discussion.

(10 Min.) 6. Main causes of stress in small business.

A. Responsibility without control.
1. Give examples.
B. Change
1. Give examples.
C. Irregular and/or unpredictable hours.
D. Carry over from job to family.

(5 Min.) 7. How stress affects one's family.

A. Places family members on the defensive.
B. Communications are lessened.
C. Develops a dislike for one's job by family members.

(5 Min.) 8. How stress affects the work environment:

A. Sickness and absenteeism rates increase.
B. Loss of interest in work.
C. Accidents increase.

AGENDA/LESSON

(40 Min.) 9. How stress affects the small business owner personally.

A. Physically.
1. Blood pressure increases.
2. Pulse increases.
3. Respiration increases.
4. Can lead to sickness.

B. Emotionally.
1. Make poor decisions.
2. Tendency to "do nothing right".
3. Easily irritated.
4. Argumentative.

(5 Min.) 10. All of the previous can cause high turnover rates and increased sickness.

A. Some links to arthritis, cancer, heart disease.

Min.) 11. Show film "Managing Stress".

A. Discuss film's contents with students.

(10 Min.) 12. Strategies for coping with stress.

A. Know yourself.
B. Develop, encourage and engage in open, honest communication.
C. Be physically fit.
D. Be nutritionally sound.
E. Relax!

(15 Min.) 13. Define burnout.

A. When you no longer react to the stressor (one has given up).
B. What to do when you have it.

(5 Min.) 14. Home assignment - none.

15. Self Evaluation

A. Re-examine the class notes and make sure each subject was properly covered. Write down any questions for discussion at the following session.

HANDOUT

SUGGESTED STRESS RELIEF TECHNIQUES

DEVELOP A DIFFERENT ATTITUDE

GET A CHECKUP

GET ADEQUATE REST

WATCH YOUR DIET

EXERCISE

DO RELAXATION EXERCISES

MEDITATE

CHANGE YOUR REACTION PATTERNS

ADAPT TO YOUR ENVIRONMENT REALISTICALLY

LISTEN TO MUSIC

TAKE A BREAK

EXPRESS YOUR ANGER

TAKE A VACATION

TALK IT OUT

SLOW DOWN

DO SOMETHING FOR OTHERS

Source: Manage Your Time, Manage Your Work, Manage Yourself, Merrill E. Douglass and Donna N. Douglass, AMACOM Book Division of the American Management Associations, New York, NY, Copyright 1980.

DAILY TIME PLANNER

Date_____ Day_____

Things to do today:

Special Projects:

Calls to make:

Time Allocation Schedule & Appointments

8 - 9
9-10
10-11
11-12
12-1
1 - 2
2 - 3
3 - 4
4 - 5

Calls to make tonight:

DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Eleven: "Resources: My Own and Others"

INTRODUCTION: This session is of particular interest to most participants because it will give them a chance to look at their own personalities and the type of people they may have trouble with in business or those types they will work well with. It is highly recommended that the instructor get a trained counselor to give the results of the Myers-Briggs test to the participants to make it extremely meaningful to the participants. This session also deals with the vast resources that are available to the small business person.

OBJECTIVES: At the end of this session participants will be able to:
A. Understand their own personalities.
B. Know how they may work with other personalities.
C. Have a considerable business resource bank to draw from.
D. Understand the library's value to the small business person.

MATERIALS	IDENTIFYING NUMBER
"If Your An Employer" Handout	IS# 076
Daily Feed Back Form	Form F
Myers-Briggs Report Form	
Sample Newsletter from Business Network	IS# 078

AGENDA/LESSON

(10 Min.) 1. Discussion or questions from last session.

(80 Min.) 2. Myers-Briggs results. (Class Participation)

A. Results to be given by a competent counselor, preferably in career guidance.

(15 Min.) 3. Break!

(30 Min.) 4. School library tour. (Class Participation)

(40 Min.) 5. Back to classroom for resource information. (Class Participation)

A. Value and list of business networks.
B. Value of trade associations.
C. Hot lines.
D. Resource services.
E. Newsletter.
F. Ask class to continue in developing the list.

(5 Min.) 6. Home assignment - none.

7. Self-Evaluation

A. Re-examine the class notes and make sure each subject was properly covered. Write down any questions for discussion at the following session.

Daily Feedback

Date: _____

1. What were the two most important aspects of today's activities?

   a.

   b.

2. What two aspects of today's program (instructional, format, content, environment, etc.) most need to be improved?

   a.

   b.

3. What new terms or concepts (if any) presented during today's session need further explanation?

Any additional comments you would like to make on the back of this sheet will be greatly appreciated.

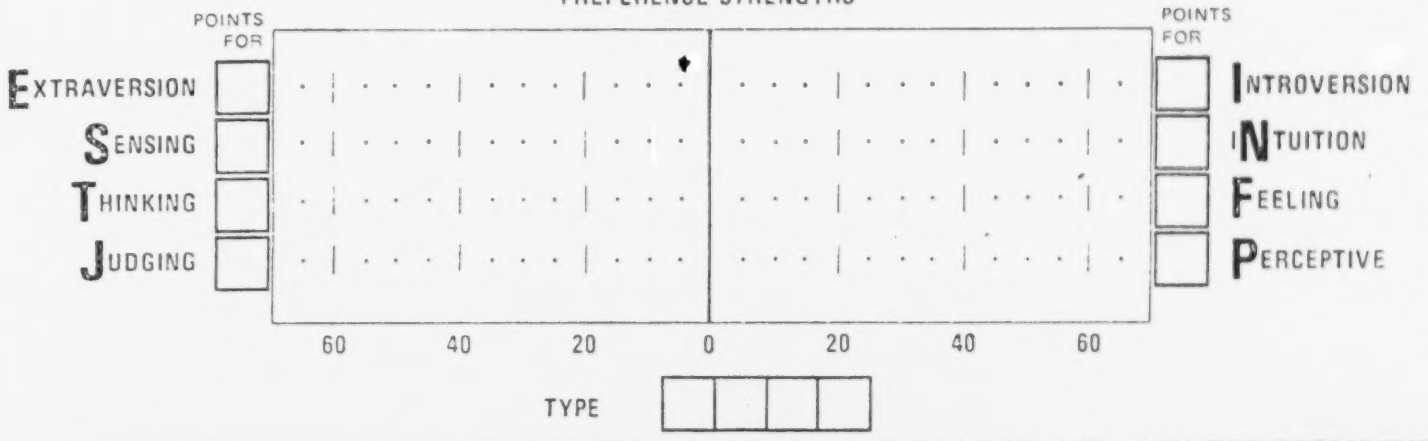
Thank you.

Form F 3/80

Report Form for Myers-Briggs Type Indicator*

Name _____ Sex: M☐ F☐ Age _____ Other _____ Date _____

PREFERENCE STRENGTHS



Indicator questions deal with the way you like to use your perception and judgment, that is, the way you like to look at things and the way you like to go about deciding things. The answers given reflect four separate preferences called EI, SN, TF and JP. The profile above shows your score on each preference. The four letters of your "type" tell how you came out on all four preferences. What each preference means is shown below.

E An E for extraversion probably means you relate more easily to the outer world of people and things than to the inner world of ideas.

S An S for sensing probably means you would rather work with known facts than look for possibilities and relationships.

T A T for thinking probably means you base your judgments more on impersonal analysis and logic than on personal values.

J A J for the judging attitude probably means you like a planned, decided, orderly way of life better than a flexible, spontaneous way.

I An I for introversion probably means you relate more easily to the inner world of ideas than to the outer world of people and things.

N An N for intuition probably means you would rather look for possibilities and relationships than work with known facts.

F An F for feeling probably means you base your judgments more on personal values than on impersonal analysis and logic.

P A P for the perceptive attitude probably means you like a flexible, spontaneous way of life better than a planned, decided, orderly way.

Each combination of preferences tends to be characterized by its own set of interests, values and skills. On the back of this page are very brief descriptions of each type. Find the one matching your four letters and see whether or not it fits you. If it doesn't, try to find one that does. Whatever your preferences, of course, you may still use some behaviors characteristic of contrasting preferences, but not with equal liking or skill. This tendency may be greater if preference strength on a scale is low (under 15). For a more complete discussion of the types and their vocational and personal implications, see *Introduction to Type* by Isabel Briggs Myers, or consult your counselor.

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business network newsletter
Box 1142, Eau Claire, Wisconsin 54702
MARCH 1985
Page One

SOUND PLANNING HELPS

By Al Jenkins

If there are two things a small business owner appreciates, they are empathy and sound information. Mike Markin, president of Integrated Capital Corporation (ICC), brought both of these prized assets to our February meeting, when he spoke about financial planning.

Mike opened his presentation with a few observations about Accounts Receivable and Accounts Payable. Regarding the former, he noted that business owners must monitor the size of A/R and how quickly they are paid. With A/P he urged Business Network members to remember that they normally get 30 days of "free credit" and should monitor how quickly they are paying A/P.

Undercapitalization, Marking reminded his audience, is the curse of the entrepreneurial class. To secure adequate financing a business should prepare a business plan. This document, which should be at least ten pages in length (1 1/2 spaces between lines), proposes to borrow capital based upon specifics. The plan should begin with the history of your business, including its periods of expansion (hopefully, lots of this), retraction (as little as possible, you hope) and the development of new markets. The purpose of the business should be elaborated: WHY are you in business? What is your business philosophy? After providing the history and thinking behind your business, create a profile of your products or service.

The business plan must show that you understand your market and potential markets. Also, you should demonstrate your knowledge of trends, especially as they affect your particular venture. Finally, you should specify your strengths in a management profile. In essence, you need to provide a good resume.

Before you run to your banker, or potential investor with your business plan, be certain you know HOW MUCH MONEY you want to borrow. Be specific! This means developing a budget with clearly defined line items.

Your budget must be a forecast, and you should BE CONSERVATIVE! Take into account, the seasonal variations in your business. You will probably find it useful to study industry norms to refine your

Continued on page two

NEXT MEETING

HONG KONG HOUSE....6:00 PM

CASH BAR.....5:30 PM

MARCH 19, 1985

ENFJ -- EXTRAVERT, INTUITIVE, FEELING, JUDGMENT

"PEOPLE PLEASER"

If all the teachers of the world were like you, there would be a lot of happy students. Your enthusiasm, care and insight inspire others, and inspiring others is what makes you happiest. You have an easy facility with language, and may prefer speaking to writing.

You are attracted to new ideas and theories and your natural enthusiasm makes you a good salesperson. You also have a flair for making others feel comfortable and at home, and can do well in an occupation where this quality is important.

Your greatest weakness is your tendency to get bored with a project or job after the problems are solved. In other words, you are more a pioneer than a settler! You need challenge and variety in your work. Because you are often unaware of your body's needs, you may find that it breaks down when you get over tired.

You could be considered a dilettante, because of what may be your superficial knowledge about a lot of things, but your charm and warm-hearted attitude will win friends anyway. You are at your best working in a situation where there is very little direct supervision. An ENFJ must lead! You need to feel free to "do your own thing." Be careful not to jump to conclusions without checking all the facts, and try to be around compatible people.

You will want to avoid at all cost any mechanical, clerical or routine type of work.

0 0 0

DESCRIPTIVE TERMS: Leader, enthusiastic, optimistic, cooperative, caring, trust-worthy, even-tempered, hospitable, verbal, catalytic, uncritical.

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DISTRICT ONE TECHNICAL INSTITUTE

ENTREPRENEURSHIP PROJECT

Session Twelve: "Wrap-Up and Review"

INTRODUCTION: This is the final session, it is imperative to recognize students who have made the commitment to the course and to their business by attending regularly. It is also a great session to get their input as to what they liked or didn't like about the course. They can also offer any suggestions which would make it better for their followers.

OBJECTIVES: At the end of this session participants will be able to:

A. Review any material they may have questions about, from the previous sessions.
B. Discuss any topic not covered in the sessions, but, related to small business.

MATERIALS

Certificates

AGENDA/LESSON

1. Distribute certificates of completion.

2. Open session for discussion.